STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service Commission held in the City of Albany on June 16, 2022

COMMISSIONERS PRESENT:

Rory M. Christian, Chair
Diane X. Burman, dissenting
James S. Alesi
Tracey A. Edwards
John B. Howard
David J. Valesky
John B. Maggiore

CASE 22-E-0222 - Proceeding on Motion of the Commission Concerning Electric Utility Climate Vulnerability Studies and Plans.

ORDER INITIATING PROCEEDING

(Issued and Effective June 16, 2022)

BY THE COMMISSION:

INTRODUCTION

On February 24, 2022, Governor Hochul signed into law an act (Act) that added a new subdivision 29 to Public Service Law (PSL) §66,[1] requiring utility corporations subject to the PSL §25-a (i.e., combined gas and electric corporations) to submit a climate change vulnerability study (Study) within 18 months from the law's effective date of March 22, 2022 (by September 22, 2023) to evaluate each electric corporation's infrastructure,

[1] Chapter 45 of the Laws of 2022 (effective March 22, 2022).

design specifications, and procedures to better understand the electric system's vulnerability to climate-driven risks.[2]

To address the results and conclusions of the utilities' Studies, the Act requires each utility to file within 60 days of filing the Study (by November 21, 2023, if the Study is filed on September 22, 2023), a climate vulnerability and resiliency plan (Plan) to address the results/conclusions of the Study for the next ten- and twenty-year periods. The Act requires each utility's Plan to: (1) explain how and to what extent the utility will mitigate the impacts of climate change on utility infrastructure, reduce restoration costs and outage times associated with extreme weather events, enhance electric system reliability, and address additional requirements established by the Commission; (2) detail how the utility will incorporate climate change into its planning, design, operations, and emergency response; (3) incorporate climate change into existing processes and practices, manage climate change risks, and build resilience; (4) have an estimate of the costs and benefits of the improvements proposed in the Plan, especially regarding undergrounding electric transmission and distribution lines; (5) discuss an implementation schedule; (6) address performance benchmarks; (7) identify the rate impact from the first five years of investments; (8) discuss any third-party coordination opportunities; and (9) address the recommendations from the utility climate resiliency working group established through this law.[3]

---

[2] The combined gas and electric corporations (referred to here as the "utilities") are Consolidated Edison of New York, Inc., Orange and Rockland Utilities, Inc., New York State Electric and Gas Corporation, Rochester Gas and Electric Corporation; CentralHudson Gas & Electric Corporation, and Niagara Mohawk Power Corporation d/b/a National Grid.

[3] PSL §66(29)(b).

The Act requires each utility to, within one year of the law's effective date (by March 22, 2023), to establish a working group, that will meet at least twice annually, to advise and make recommendations to the utility and the Commission regarding the development and implementation of the utility's Plan.[4] Finally, the Act requires the Commission, within eleven months after the Plans are filed (by October 21, 2024, if the utilities' Plans are filed on November 21, 2023), to either approve or modify the Plans, following a public hearing.[5] The Commission anticipates that preparation of the Plans through the required stakeholder process and adherence to the Plans will enable electric utilities, and their electric service customers, to be better prepared to respond to, reduce damage from, and reduce restoration costs of future extreme weather events and the impacts of climate change.[6]

The Commission is initiating this case outside of the rate case process to implement the requirements of the Act to ensure consistency amongst each Plan to be filed by the utilities, although we anticipate that the requirements of each Plan will be mainly funded through rate cases. In reviewing each Plan filed by the utilities, the Act requires the Commission to, at a minimum, consider a number of factors:

> (i) the extent to which the Plan is expected to mitigate the impacts of climate change, reduce restoration costs and outage times associated with extreme weather events, and enhance reliability, including whether the Plan examines areas of lower

[4] PSL §66(29)(h).

[5] PSL §66(29)(e).

[6] After the second full year of Plan implementation, and biennially thereafter, the Act requires each utility to file a report with the Commission detailing its activities to comply with its currently effective Plan, and to file an updated Plan for Commission consideration at least every five years. PSL §66(29)(f).

reliability performance;

(ii) the extent to which storm protection and hardening of transmission and distribution infrastructure is feasible, reasonable, or practical in certain areas of the utility's service territory, including, but not limited to, coastal areas, flood zones, and rural areas;

(iii) the estimated costs and benefits to the utility and its customers of making the improvements proposed in the Plan, including considerations of equity in the Plan as applied across the entire service territory, with particular attention paid to the costs and benefits in undergrounding transmission and distribution lines;

(iv) a schedule for implementing each of the measures in the Plan;

(v) whether the Plan includes major performance benchmarks that measure the effectiveness of the implementation of the Plan;

(vi) the estimated annual rate impact resulting from implementation of the plan during the first five years addressed in the Plan;

(vii) the extent to which the Plan considers a multi-pronged strategy appropriately tailored to addressing the impacts of climate change, reducing restoration costs and outage times and enhancing infrastructure reliability;

(viii) the extent to which the Plan identifies opportunities for coordination with municipalities, customer advocate groups, the independent system operator, the energy research and development authority, and other utility or telecommunication service providers; and

(ix) the recommendations from the utility climate resilience working group.[7]

The Act authorizes the Commission to allow each utility to recover the prudent costs of implementing the Plan, as approved or modified by the Commission, in each utility's subsequent rate proceeding. The Act specifies, however, that

[7] PSL §66(29)(d).

for capital projects placed into service and additional unrecovered costs incurred prior to base rates being reset, the costs are required to be recovered through a "climate resiliency cost recovery surcharge." The Act allows the Commission to then roll any unrecovered costs associated with the surcharge into base rates when the utility's base rates are reset. When approving or modifying a utility's rate plan, the Act requires that the Commission shall identify the resiliency and storm hardening component of the revenue requirement on a cost and/or percentage basis.[8] Each utility must file an updated Plan with the Commission for approval at least every five years.[9]

This order reviews the legislative directives of PSL §66(29) and outlines the additional actions the Commission plans to pursue to satisfy the statutory objectives and mandates.

DISCUSSION AND CONCLUSION

With the initiation of this proceeding, the Commission continues efforts to ensure that, in the face of global climate change and more frequent and severe storm events, utility customers will continue to receive safe, adequate, and reliable service in the most cost-effective manner. The statutory directives require the Commission to revisit its decision-making framework concerning utility emergency preparedness. Over the past decade, multiple utility service areas have been adversely impacted by severe storm events, including Super-Storm Sandy, the two March 2018 Nor'easters,[10] and most recently Tropical

[8] PSL §66(29)(g).

[9] PSL §66(29)(f).

[10] Case 19-M-0285, In the Matter of Utility Preparation and Response to Power Outages During the March 2018 Winter and Spring Storms, Report on 2018 Winter and Spring Storms Investigation (filed April 18, 2019).

Storm Isaias.[11] Each of these storm events greatly impacted New York's electrical transmission and distribution system and resulted in hundreds of thousands of customer outages for extended periods of time. Extreme weather events have been occurring with greater frequency and ferocity. To address this, the Commission agrees that it is important to dedicate a proceeding to storm hardening and electric system resiliency measures focused on the Study and planning criteria established pursuant to the Act.

As discussed, the Act requires each utility to consider and prepare a Study that clearly delineates how and why climate change is affecting its electric system. Each electric utility Study must address, at a minimum, the specific service territory geography and topography and analyze recognized scientific data concerning expected changes in temperature, wind, and sea levels.

Additionally, the outcomes and conclusions of each Study must support the projects and programs contained in the subsequent utility Plans. The utilities must evaluate programs and projects they propose to include in their Plans in the context of electric system planning and project prioritization, while taking advantage of new technologies and preserving the obligation of the utilities to ensure safe, reliable, and cost-effective service. To aid the Commission in its review of each forthcoming utility Plan, "screening criteria" need to be established to prioritize projects and programs to ensure that proposed projects are indeed needed to maintain reliability. The "societal" benefits of each Plan's proposed projects should be weighed against its costs. Each utility should undertake a

[11] Case 20-E-0586, Commission Investigation into Utility Preparation for and Response to the August 2020 Tropical Storm Isaias, Isaias Storm Report (filed November 19, 2020).

coordinated effort, which allows for stakeholder input, as part of a least-cost planning approach to prepare and implement climate vulnerability measures and initiatives that ensure future safe and adequate electric service in light of the effects of climate change. In developing their Plans, the utilities need to consider all realistic alternatives to arrive at the most cost-effective Plan for consumers.

The Commission notes that Department of Public Service Staff (Staff) has already begun collaborating with the utilities to explore ways to address the development of the climate vulnerability studies, proceeding process, and system planning and prioritization to satisfy the statutory requirements. The utilities should consider the results of these efforts and, as appropriate, incorporate them into their comments, Studies and Plans.

Finally, we encourage broad stakeholder input on climate vulnerability assessment and planning issues. Accordingly, to ensure a transparent and efficient public process, the Commission also seeks comment from the utilities, stakeholders, and other interested entities, identifying not only the substance and analyses that should be included in each utility's Study but also the development of uniform and consistent screening criteria for the Commission's consideration. The Commission may, in its discretion and prior to the filing of the utilities' Plans, determine whether the proposed screening criteria sufficiently protects ratepayers while increasing system reliability.

To better frame the content of each utility's Study and Plan, and to provide for consistent statewide climate vulnerability assessment, the Commission seeks comment within 60 days of the issuance of this Order related to the substance and analysis to be included in each utility's Study and Plan. To

address these broad issues, the Commission seeks comments on the following questions:

1. What elements (temperature, precipitation, etc.) of climate change should be included in the climate vulnerability Study?
2. Are there any elements that should not be included in the climate vulnerability Study? If so, why?
3. Should the utilities use a consistent approach to forecast the effects of climate change on their respective service territories or should each utility potentially use a different approach for its own service territory?
4. How aggressive or conservative should utilities be in responding to the forecasted climate change impacts on their system? What should be the criteria used for selecting which climate change impact(s) require storm hardening and/or resiliency measures?
5. What level of Shared Socio-Economic Pathways or Representative Concentration Pathways[12] are appropriate to help outline future investments?
6. How should the stakeholder working group engagement process be organized? What areas of discussion should or should not be included?
7. Should different storm hardening activities be prioritized over others? If so, which activities and why?
8. How should service areas be prioritized for implementing storm hardening activities?
9. Should local, municipal, or county storm protection initiatives be included when determining where and when utilities make storm hardening investments?
10. Should there be a minimum level and/or limit to the amount a utility invests on storm hardening activities each year? If so, how will the limit(s) be defined or determined?
11. What key performance indicators or other effort(s) should be used to gauge the effectiveness of the storm hardening and resiliency efforts?

[12] These pathways present various greenhouse gas emission scenarios based on different carbon reduction strategies.

To begin to define the screening criteria to be considered by the Commission, comments to the following are also sought with 60 days of the issuance of this order:

1. In order to minimize the financial impact of adapting to climate change, should a cost-effective resilience planning process identify a target level of resilience along with associated metrics, strike a balance between proactive and reactive spending, consider both the costs and benefits to customers, and select adaptation strategies that provide optimal benefit at the lowest cost?
2. In estimating the benefits to customers of making the improvements proposed in each Plan, should the utilities:
    a. Estimate the avoidable adverse impacts on New York State's economy, both in the areas that would have been directly affected by the outages and in areas elsewhere in the State?
    b. Estimate the avoidable cost of the interruption in service to residential customers?
    c. Estimate the avoidable cost of the outages to municipal governments?
3. If the answer to 2.a. is yes, how should the avoidable loss in direct, indirect and induced economic activity from preventing outages be estimated? For example, via regional economic input-output (I/O) modeling?
4. If the answer to 2.b. is yes, should those avoidable costs to residential customers be estimated using the United States Department of Energy's (DOE) Interruption Cost Estimate (ICE) Calculator? And if so, should the utilities participate in the DOE/Lawrence Berkeley National Laboratory (LBNL) ICE Calculator 2.0 process, A Public-Private Initiative to Upgrade the ICE Calculator?[13]
5. If the answer to 2.c. is yes, should those avoidable costs to municipal governments be measured by analysis of the incremental labor costs that would be incurred by municipalities as a result of the outages?

[13] https://icecalculator.com/

The proposed utility Studies will serve as the basis for the Commission to review and approve or modify the resulting utility Plans. To ensure that the utilities conduct their Studies and make the Plan available in time for the Commission to take action within the statutory deadlines, the Commission directs the utilities to update Staff on the progress of these efforts at regular intervals and to provide proposals concerning the Studies and Plans when filing comments. The utilities shall also provide Staff with updates concerning the progress of their respective working groups. As envisioned by the Act, the working groups will provide the respective utilities with advice and recommendations regarding the development of the utilities' respective Studies and Plans. In reviewing each Plan, the Commission will assess how the utility incorporated the recommendations of its working groups into the utility's Study and Plan.

The Commission orders:

1. A proceeding is initiated to develop and consider studies, proposals, plans, rules, and procedures for implementing the provisions of the Public Service Law §66(29) with respect to climate vulnerability assessment and planning, as discussed in the body of this Order.

2. Consolidated Edison Company of New York, Inc., Orange and Rockland Utilities, Inc., New York State Electric & Gas Corporation, Rochester Gas and Electric Corporation; Central Hudson Gas & Electric Corporation, and Niagara Mohawk Power Corporation d/b/a National Grid shall submit comments to the Secretary to the Commission no later than 60 days from the issuance of this Order, concerning the contents of a climate change vulnerability study and associated climate vulnerability and resilience plan, including, but not limited to, responding to the questions described in the body of this Order.

3. In the Secretary's sole discretion, the deadlines set forth in this Order may be extended. Any request for an extension must be in writing, must include a justification for the extension, and must be filed at least three days prior to the affected deadline.

4. This proceeding is continued.

By the Commission,

(SIGNED) MICHELLE L. PHILLIPS
Secretary