

Business Development in New York

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Topics

- Purpose of Business Development
- Drivers
- Context of PSC actions
- Various Assistance Programs
- Staff Role

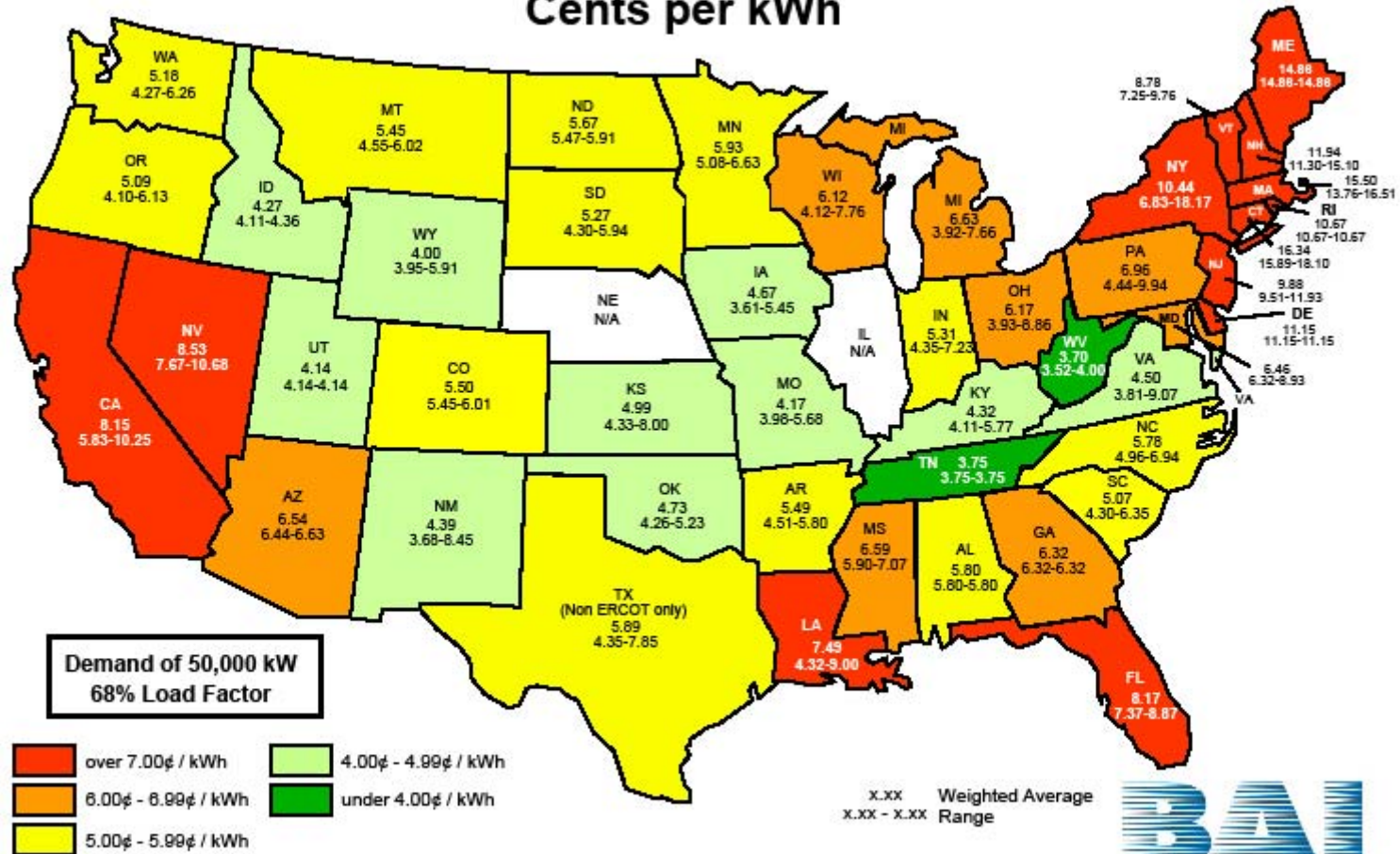
Purpose of Business Development

- The purpose of BD programs is to help
 - Retain existing business customers
 - Allow growth in their operation
 - Attract new business customers
- Business Development is vital to economic prosperity of the State
 - Create jobs
 - Pay taxes
 - Vibrant communities

Drivers

- For some businesses energy costs are a major component of their operating costs
- Higher energy costs lead to higher product costs for those businesses
- Growing globalization is leading to intensive competitive pressures
- Competition from other countries and from other states within USA

Year 2007 Industrial Firm Power Rates For Investor Owned Utilities Cents per kWh



Context of PSC actions

- Economic Development is a broader State interest
- Other cost drivers include items such as
 - Taxes (income, property etc)
 - Labor Costs
 - Health care costs
 - Insurance costs
- Energy is one component of the big picture
- Other governmental agencies involved include NYS Empire State Development, NYC Economic Development Corporation, New York Power Authority etc.

Context of PSC actions

- Typically, for larger projects, New York State Empire State Development agency takes the lead in coordinating State response
- We work with ESD on electric power related issues of any package developed to attract or retain customers in the State.
- We work with affected electric distribution utilities as well as New York Power Authority.

Assistance Programs

- Flex Rates in 1990s
- Wholesale and retail competition in the last decade
- Rate discount programs
- Infrastructure assistance programs

Goals/Guidelines

- Assist in State's business development goals
- Ensure regulatory ratemaking principles are preserved
- Maximize utility infrastructure utilization
- Help optimize customer electric usage profile to help the individual customer as well as the system
- Minimize free riders
- Leverage assistance resources from entities besides utilities

Flex Rates

- In the early 1990s, large customers complained that electric rates are too high and utilities are inflexible with their tariff pricing; some threatened to leave the system and some actually left.
- We recognized that in some instances, providing the utilities flexibility with their tariff pricing is beneficial to customers “at risk” as well as to all other customers.
- It is better to have customers stay on the system and contribute some amount toward recovery of fixed costs rather than leave and contribute nothing; if those customers leave, the lost revenues (towards fixed cost recovery) have to be collected potentially from all other customers
- PSC allowed utilities to offer flex rates to customers at risk.
- Parameters were developed on what the flex rate tariffs should cover (e.g., recovery of marginal costs, level of any discount offered to customer that should be borne by utility shareholders)
- The scope of this program changed significantly over the years as utilities unbundled supply from delivery; and supply was made competitive

Competitive Markets

- Although flex rates were offered as a solution, some large customers argued competitive electric markets would be a better solution to meet their needs
- After a deliberative process, competition was introduced in both wholesale and retail markets
- Today, over 75% of the very large customers and about 50% of other business customers are availing themselves of retail choice programs and are procuring supply from competitors
- In addition, several financial products have emerged as well in the market place to serve the needs of large customers
- Also, Demand Side Management Providers are offering behind the meter services to large end use customers

Rate Discount Programs

- There are several utility electric rate discount programs in place for business development. Some examples include:
 - Central Hudson offers businesses two electric service incentive rates. The ***Growth Incentive Rate*** provides eligible customers discounts of 28% or 20% dependant on usage. A ***Revitalization Rate*** provides reductions from 10% to 25% for up to five years for commercial or industrial customers who move into existing space in the service area that has been vacant for at least six months.
 - Con Ed offers a ***Business Incentive Rate*** to customers who are receiving a real property tax incentive or energy rebate from New York City. Reductions for electric service can be up to 25% for 15 years.

Infrastructure Assistance

- The State sometimes provides infrastructure assistance for very large new businesses or expansion of existing businesses
- One element of the assistance could take the form of reduced cost of hooking up to the utility system
- The assistance could also fund infrastructure upgrade costs that the customer may be responsible for.

Staff Role

- Assist business customers directly with their needs
 - Advice on utility discount rate programs
 - Advice on infrastructure assistance
 - Help deal with utility disputes
 - Advice on effective usage management
 - Outreach to customers
- Advocate in rate proceedings before the NYPSC
- Work with other government agencies in helping prepare assistance packages