



## Department of Public Service

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### Public Service Commission

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April 9, 2024

### **VIA ELECTRONIC FILING**

Bess Beikoussis Gorman, Esq.  
Assistant General Counsel  
National Grid  
40 Sylvan Road  
Waltham, MA 02451  
bess.gorman@nationalgrid.com

Re: Case 22-M-0429 - Proceeding on Motion of the Commission to Implement the  
Requirements of the Utility Thermal Energy Network and Jobs Act.

Dear Ms. Beikoussis-Gorman:

As required by the Public Service Commission's Order Providing Guidance on Development of Utility Thermal Energy Network Pilot Projects (Guidance Order or Order),<sup>1</sup> Department of Public Service Staff (Staff) has reviewed the Final UTEN Pilot Project Proposal – Syracuse UTEN Pilot (the Proposal) submitted by Niagara Mohawk Power Corporation d/b/a National Grid (NMPC) on December 15, 2023, in Case 22-M-0429.

The Guidance Order requires Staff to conduct a compliance review to determine whether the filing meets the requirements set forth in the Order or presents feasibility concerns. The Order states that, if a filing meets all requirements, the Director of the Office of Energy System Planning and Performance will issue an approval letter, which may include feedback that the Company should consider in the next stage of development of the pilot project. Alternatively, if the filing is non-compliant or presents feasibility concerns, the Guidance Order provides that the Director of the Office of Energy System Planning and Performance will document the deficiencies and/or feasibility concerns in a letter setting forth a timeline for the Company to respond with any necessary information.<sup>2</sup> According to the stage-gating process established in the Guidance Order, once approved by Staff, the pilot will advance to Stage 2: Pilot Project Engineering Design and Customer Protection Plan. The Company will then have nine months from the date of the approval letter to submit a Final UTEN Pilot Project Engineering Design and Customer Protection Plan filing (Stage 2 Filing) for Commission consideration.

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<sup>1</sup> Case 22-M-0429, Proceeding on Motion of the Commission to Implement Requirements of the Utility Thermal Energy Network and Jobs Act, Order Providing Guidance on Development of Utility Thermal Energy Network Pilot Projects (issued September 14, 2023).

<sup>2</sup> Guidance Order, pp. 20-21.

As a general matter, Staff notes the aggregated costs associated with the collective utilities' proposed thermal energy network pilot projects total over \$880 million. It is critical that the Company take all necessary steps to manage cost impacts responsibly. As a primary objective, the Stage 2 Filing must demonstrate a clear focus on designing and constructing the UTEN while responsibly managing costs to the end-use connected customers and ratepayers as a whole.

Staff finds the proposal is compliant with the provisions of the Guidance Order and thereby grants approval for NMPC to proceed to Stage 2: Pilot Project Engineering Design and Customer Protection Plan for the Syracuse UTEN Pilot, with a cost cap of \$6.7 million through the completion of Stage 2. Staff offers the following additional feedback that NMPC should consider as it further develops the Syracuse UTEN Pilot.

- The Syracuse UTEN Pilot project is dependent upon the Metropolitan Syracuse Wastewater Treatment Plant ("Metro WWTP") outfall to Onondaga Lake to provide the thermal energy. While Staff anticipates this project could provide unique learning opportunities with regard to the integration of a UTEN with third-party ownership of a thermal energy resource(s), these interdependencies present complexities that will require ongoing close coordination between the Company and Metro WWTP.
- The Proposal states the Company will purchase thermal energy from the Onondaga County Water Environment Protection ("OCWEP" or "WEP") at a rate to-be-determined and distribute it to customers via the National Grid-owned utility distribution system. Given the reliance on the third-party owned thermal resource to serve the thermal needs of the system, the Company should take appropriate steps to ensure the negotiated rate appropriately protects the UTEN customers and ratepayers as a whole.
- The estimated cost of the Syracuse UTEN Pilot is the highest among all UTEN pilot project proposals received, even though it is proposing to serve predominantly, if not exclusively, new construction buildings which typically have lower costs relative to retrofitting an existing building to connect to a UTEN. Staff notes the projected costs do not yet include the thermal fee that the Company will pay to OCWEP. Staff further notes that while the total cost estimate includes a 40% contingency, given the uncertainty in elements of the project design at the time of the filing, it does not consider any incentives, grants, co-funding, or other third-party contributions (collectively "cost contributions") the Company could pursue to offset the cost of the Syracuse UTEN Pilot. The Stage 2 Filing should provide further refinement of the proposed budget and ensure the techno-economic analysis supports a viable project. Within this budget refinement, the Company should identify cost contributions associated with the new construction buildings to ensure costs borne by ratepayers are limited to only incremental costs associated with connecting to the UTEN.
- The Proposal includes a monthly load profile, excluding the proposed aquarium given the uncertainty around its usage patterns, but does not include an hourly load profile. The Company provided aggregated (coincidental) peak heating load and cooling load, as well as diversity factor estimates for each peak, but did not present the methodology, data sources, and assumptions. Additionally, the Proposal makes comparisons to average daily flow, but does not make hourly comparisons of outfall flow to source/sink flow requirements, even though the Proposal includes analysis of 10 years of outfall flow data.

The Company should present this hourly level of analysis, including load associated with all proposed connected buildings, in the Stage 2 Filing.

- The Company has identified several permits it may need to secure for construction and implementation of the of the Syracuse UTEN Pilot, including to utilize the wastewater treatment plant outfall as a thermal resource, as well as required for construction of the new buildings. The Company further describes the complexities and timing considerations that would prohibit the Company from concurrently conducting the permitting process along with the detailed engineering phase. Staff recognizes these timing issues and advises the Company to describe in detail in its Stage 2 Filing the progress and engagement with local, state, or federal entities responsible for issuing the respective permits that have occurred at the time of the filing and the Company's expectation for the timeline to acquire the relevant permits. Staff notes that the utilities' experiences with the permitting process are important for project learnings.
- The Proposal states electrification equipment will be installed on-site at the connected buildings. The Stage 2 Filing should provide details regarding the approach it intends to undertake to ensure that the on-site electrification work is designed and installed properly to satisfy the building(s)' space heating, cooling, and domestic hot water needs.
- Staff notes the lifecycle cost analysis conducted by the Company and provided in the Proposal. Staff observes that the utilities took various approaches to this analysis. Staff intends to work with all utilities to review the various approaches and reach a uniform approach that can provide Staff, stakeholders, and the Commission with comparable information as part of the Stage 2 Filing.
- Staff observes that while the Preliminary Customer Protection Plan included in the Proposal meets the basic requirements of the Order, it is generic relative to the information that the Company will need to further detail in the Stage 2 Filing. Staff further notes the customer engagement activities and associated outreach and education plan to be included in the Stage 2 Filing should include not only a prospective view, but also those outreach activities the Company has conducted to date.
- The Order requires the utilities to file monthly Progress and Expenditure Reports detailing the pilot projects' status and associated expenditures, including a description of the activities accomplished since the prior report, anticipated activities within or beyond the current stage, and any major changes in the scope of the project. The Company should ensure any substantive changes in the status of the pilot project, including any updates or concerns related to the design, construction, or operational aspects of the pilot project are included in future monthly Progress and Expenditure Reports.

Sincerely,



Tammy Mitchell  
Director  
Office of Energy System Planning & Performance