

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

DIRECT TESTIMONY OF

POLICY PANEL - ELECTRIC

1 Q. Would the members of the Panel please state their  
2 names and business addresses?

3 A. Robert Schimmenti, Marilyn Caselli, Joseph Oates, and  
4 Stuart Nachmias. Our business address is 4 Irving  
5 Place, New York, NY 10003.

6 Q. By whom are you employed, in what capacity, and what  
7 are your backgrounds and qualifications?

8 A. We are employed by Consolidated Edison Company of New  
9 York, Inc. ("Con Edison" or the "Company").

10 (SCHIMMENTI) I am Senior Vice President, Electric  
11 Operations. I have been employed by Con Edison since  
12 1987. I have overall responsibility for Con Edison's  
13 Electric Distribution Operations, Engineering and  
14 Planning, Energy Services organization that  
15 coordinates all aspects of the delivery of electric  
16 service to customers, and Energy Efficiency and Demand  
17 Management program. I have held various senior level  
18 positions in Electric Operations, Electric  
19 Construction, Control Center Operations and Substation  
20 Operations including Vice President, Engineering and  
21 Planning, Electric Operations, Chief Engineer of  
22 Engineering and Planning, General Manager of Electric

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1 Construction, and General Manager of Substation  
2 Operations.

3 I earned a Bachelor of Science degree in electrical  
4 engineering from Hofstra University and a Master of  
5 Science degree in management technology from  
6 Polytechnic University.

7 (CASELLI) I am Senior Vice President, Customer  
8 Operations. I began my employment with Con Edison in  
9 1974. From 1974 to 1989, I held positions of  
10 increasing responsibility within the Company, rising  
11 to the position of General Manager, Customer  
12 Operations for Queens. In 1992, I took the position  
13 of General Manager, Customer Operations for Brooklyn  
14 and then, in 1996, I took the position of General  
15 Manager, Gas Operations for Queens. In October 1997,  
16 I was elected to the position of Vice President,  
17 Customer Services for Staten Island and, in May 2005,  
18 I was promoted to my current role of Senior Vice  
19 President, Customer Operations. I hold a Bachelor of  
20 Science degree in Business Administration from the  
21 State University of New York.

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1 (OATES) I am Senior Vice President, Business Shared  
2 Services. I was hired by Con Edison in 1987. I have  
3 overall responsibility for Con Edison's information  
4 technology, procurement and stores functions. I also  
5 oversee Con Edison's competitive energy businesses as  
6 Chairman of the Board. I have been in my current  
7 position since September 2012. From July 2007 to June  
8 2012, I was Vice President, Energy Management for Con  
9 Edison with responsibility for providing the overall  
10 strategic planning and direction for forecasting  
11 service area demand, evaluating electric, natural gas,  
12 and steam resource positions, and procuring  
13 electricity and natural gas. From April 2004 to May  
14 2008, I was Vice President and Treasurer with  
15 responsibility for the Company's corporate financing,  
16 pension management, risk management, real estate  
17 activities, and other treasury-related functions. In  
18 early 2004, I was Vice President on a special  
19 assignment. Before that appointment, I served as the  
20 Vice President, Bronx and Westchester Electric  
21 Operations from November 2002 to January 2004 with  
22 responsibility for the overall operation of the

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1 electric distribution system in the Bronx and  
2 Westchester County. From July 2001 to November 2002,  
3 I was Vice President, Energy Management. Prior to  
4 July 2001, I held various positions of increasing  
5 responsibility with the Company, including Director,  
6 Central Operations and Project Manager, Corporate  
7 Planning. Before I joined Con Edison in 1987, I was  
8 employed by Central Hudson Gas & Electric Company. I  
9 hold a master's degree in business administration from  
10 Fordham University and bachelor's and master's degrees  
11 in mechanical engineering from Manhattan College.  
12 (NACHMIAS) I am Vice President, Energy Policy and  
13 Regulatory Affairs. I am responsible for development  
14 of energy policy and the management of state and  
15 federal regulatory matters.  
16 I have worked for Con Edison since 1988. I began in  
17 the Company's management intern program, and worked in  
18 capital budgeting, customer sales and revenue  
19 forecasting and corporate planning. I worked to  
20 develop the state's plan for deregulation, including  
21 establishing the New York ISO. I also worked at Con  
22 Edison Solutions from 1997 to 2000, initially in the

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1 wholesale power group and later as marketing manager  
2 for large business customers. After leaving the  
3 Company from 2000-2001, I rejoined Con Edison in the  
4 Energy Markets Policy Group, focused on competitive  
5 wholesale electric and gas markets. I have had  
6 increasing responsibilities in this area, as well as a  
7 one-year job rotation in customer operations, where I  
8 worked on customer complaints to executives and the  
9 Commission.

10 I graduated from the State University of New York at  
11 Binghamton with a bachelor's degree in Economics and  
12 Psychology and also earned a Master of Business  
13 Administration degree with a concentration in Finance  
14 from Baruch College. I also earned an Advanced  
15 Certificate in Energy Management from the New York  
16 Institute of Technology, and completed a Power  
17 Technologies Inc. ("PTI") Distribution Engineering  
18 program.

19 Q. Have you previously testified in Commission  
20 proceedings?

21 A. Yes. We have all testified in Commission proceedings.

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OVERVIEW OF TESTIMONY

1

2 Q. Would you briefly explain the purpose of the Panel's  
3 testimony?

4 A. The Panel will present an overview of the Company's  
5 strategy and the projects and programs planned for the  
6 rate year and subsequent years that are designed to  
7 fulfill that strategy, as well as present the  
8 Company's approach to the Commission's regulatory  
9 policy as articulated in the Reforming the Energy  
10 Vision ("REV") proceeding. The Company seeks a  
11 delivery revenue increase of \$368 million to enable it  
12 to continue to provide safe, reliable service with a  
13 continuing and increased focus on customer engagement  
14 and risk reduction, which includes improving  
15 reliability, resiliency, security and safety. This  
16 rate filing seeks funding for electric infrastructure  
17 upgrades and investment, customer operations  
18 initiatives that will improve the overall customer  
19 experience and satisfaction, and shared services  
20 programs, in particular, the Company's Technology  
21 Roadmap, that will facilitate the services the Company  
22 plans to offer its customers as a leading 21<sup>st</sup> century

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1 utility. This includes technology that will enable  
2 Con Edison to continue to lead in innovation and  
3 develop better design standards to meet evolving  
4 customer expectations for information and continued  
5 high service quality. The Company seeks to implement  
6 these programs in a manner that mitigates costs and  
7 the ultimate impact to customer bills. The Accounting  
8 Panel will explain the key drivers of the requested  
9 rate increase, which reflect numerous cost management  
10 initiatives discussed by the various operational  
11 panels.

12 Q. Please summarize your testimony.

13 A. The Company is requesting a delivery revenue increase  
14 of \$368 million (the first overall increase in  
15 delivery rates since April 1, 2012), representing an  
16 average bill increase of 3.2 percent. We explain the  
17 Company's proposal for electric infrastructure  
18 upgrades that will meet evolving customer expectations  
19 for enhanced data, information, and service quality,  
20 while also mitigating the cost and the impact to  
21 customer bills.

22 Con Edison's mission is to continue providing

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1 safe, reliable service and meet customer expectations  
2 in both a cost-effective and innovative way. This  
3 rate plan reflects the Company's desire to achieve  
4 service improvements to enhance the customer-company  
5 experience through the use of new technology,  
6 interactive tools, and improved engagement on the  
7 Company's website.

8 These improvements will make it easier for  
9 customers to communicate with Con Edison, and will  
10 include new self-service interaction portals, outage  
11 management system enhancements, and new dashboards  
12 that allow for greater transparency and information  
13 flow within the Company and to outside stakeholders.

14 Q. Please expand further on the Company's objectives in  
15 this rate case.

16 A. The Company's primary goal is to continue to provide  
17 safe, reliable, and resilient electric service to its  
18 customers in a cost-effective manner while meeting  
19 customer expectations for services and products.

20 Q. What strategies will guide the Company in fulfilling  
21 these objectives?

22 A. At the corporate level, to achieve the Company's



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1 corporate vision and enhance the services the Company  
2 delivers to customers and the public in general, the  
3 Company focuses on the following three key objectives:

- 4 1. Enhance customer experience through new  
5 technology, tools, and improved engagement.
- 6 2. Reduce risk to deliver energy safely, with high  
7 reliability and resilience. With respect to the  
8 provision of electric service, this translates to  
9 pursuing operations excellence and safety, which  
10 are key drivers that pervade all aspects of the  
11 Company's work including maintaining the high  
12 level of reliability of the Company's electric  
13 system, use of advanced design methods, and  
14 diligent inspection and maintenance of energized  
15 network equipment. These programs are discussed  
16 in the Electric Infrastructure and Operations  
17 Panel ("EIOP") testimony.
- 18 3. Mitigate bill impact by enhancing system design  
19 and thereby reduce costs, consider new rate  
20 designs that allow customers pricing options, and  
21 provide customers with the information and tools  
22 to better manage their usage and their total

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1 bill.

2 These key objectives are reflected in the Company's  
3 Electric Long Range Plan.

4 Q. Please describe Con Edison's Electric Long Range Plan.

5 A. Con Edison's Electric Long Range Plan ("ELRP" or  
6 "Plan") was issued in December 2011 and filed with the  
7 Company's 2013 electric rate case. The long range  
8 capital plan component of the ELRP is updated on an  
9 annual basis. The ELRP includes a comprehensive and  
10 quantitative approach to infrastructure investment-  
11 optimization over a 20-year period. The Plan is a  
12 guidance document that provides a baseline direction  
13 for integrated transmission and distribution system  
14 infrastructure and a planning tool that considers the  
15 impact of non-infrastructure-related elements such as  
16 demand-side solutions and renewable resources. The  
17 Plan includes major investments in the Company's  
18 electric system, specific programs to maintain and  
19 upgrade it, and various initiatives to manage customer  
20 demand. The Company utilizes a capital investment  
21 database and analytical model to evaluate the impact  
22 of programs and initiatives that are evaluated for

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1 impacts on performance, risk, and cost characteristics  
2 of the electric system. The Plan provides a framework  
3 that links short- and long-term projects and programs  
4 to the Company's goal that the Company's transmission  
5 and distribution systems are reliable and have  
6 sufficient capacity to meet customers' peak electric  
7 demand and overall electric needs.

8 Q. Please describe the process by which the ELRP has been  
9 updated.

10 A. The Company annually revisits the drivers of the ELRP.  
11 Once the Company's long-range electric demand  
12 forecasts have been developed, we identify areas in  
13 the Company's system that will need reinforcement to  
14 meet projected demand growth, and determine when that  
15 reinforcement will be needed. We then apply an  
16 integrated infrastructure planning framework to  
17 optimize our investment requirements. When additional  
18 investment may be needed or new customer load  
19 requirements have to be met, available solutions,  
20 including demand side management, are reviewed, and  
21 the most cost-effective solution that is consistent  
22 with maintaining safe and reliable service is

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1 identified. Opportunities to use existing assets,  
2 e.g., through the use of load transfers to other  
3 substations (as described in the EIOP testimony), are  
4 studied to determine if those would address the  
5 projected load to allow deferral of large  
6 infrastructure investments until a further or future  
7 need arises.

8 Q. Please elaborate on how this relates to the Company's  
9 planning and budgeting process.

10 A. The Company seeks to manage its future capital needs  
11 by considering both traditional and non-traditional  
12 solutions to reliably meet customer needs, manage  
13 outages due to weather and other events, and manage  
14 the system with an eye toward increasing overall  
15 efficiency. This approach will reduce what would  
16 otherwise have been higher costs for all customers.  
17 The Company has developed a consistent, capital  
18 planning approach across all electric operations  
19 organizations. Annual budgets and shorter term plans  
20 must be linked to the long-range plan through the  
21 development of annual business plans. Risk management  
22 is integrated into the budget process as described

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1 below. Annual business plans require an enterprise  
2 risk management update and discussion of resources  
3 committed to mitigate risks. The Company uses a  
4 Capital Optimization process to evaluate projects and  
5 programs enterprise wide, and make optimized  
6 expenditure decisions across operating units. The  
7 Capital Optimization process supports the efficient  
8 allocation of funds to reduce operating risks and meet  
9 strategic objectives, specifically allowing the  
10 Company to select the projects that best achieve those  
11 objectives. The 2014 results of the Capital  
12 Optimization process, discussed in more detail in the  
13 EIOP testimony, effectively form the basis of this  
14 rate filing in terms of capital expenditures, specific  
15 projects and programs, and associated timelines. This  
16 process, in turn, reduces what would otherwise have  
17 resulted in higher bill impacts for all customers.

18 Q. How does the Company plan to meet the three key  
19 objectives of customer engagement, risk reduction, and  
20 cost mitigation?

21 A. An overview of the Company's initiatives with respect  
22 to the three key objectives is provided below. A more

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1 detailed description is provided in the EIOP, Customer  
2 Operations Panel, and Shared Services Panel  
3 testimonies. These operational panels address in  
4 detail the programs the Company seeks to implement in  
5 support of these objectives.

6 In particular, in this filing, the Company describes  
7 its plan to continue to provide its customers with an  
8 enhanced experience with respect to the management of  
9 their energy use through additional tools and  
10 resources the Company is developing, or plans to  
11 develop, and will make available for customers.

12 Achieving these goals will help enhance the customer  
13 experience and the service they receive.

14 Q. Does this Panel also address the Company's REV  
15 efforts?

16 A. Yes, it does. The Company's efforts with respect to  
17 REV are described following the discussion of the  
18 three key objectives.

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MANAGEMENT AUDIT STATUS

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Q. Please provide an overview of the status of the most recent management audit of Con Edison.

A. The process of performing the management audit of Con Edison began in May 2008, when the Commission selected The Liberty Consulting Group to perform the audit. After conducting more than 300 interviews with Con Edison and reviewing the Company's response to more than 1,000 detailed data requests, Liberty submitted its report titled "Final Report - Management Audit of Consolidated Edison Company of New York, Inc." ("Final Report") to the PSC on August 7, 2009. On August 21, 2009, the PSC ordered Con Edison to file a plan to address the findings and implement the 92 recommendations contained in the management audit. On October 5, 2009, Con Edison submitted its plan, titled "Audit Implementation Plan." Beginning February 5, 2010, Con Edison has filed an update with the PSC every four months to communicate the Company's progress in implementing the audit recommendations. The Company also filed comprehensive annual reports on its implementation on October 5, 2010, October 5,

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1 2011, and October 5, 2012. In addition, the Company  
2 has met regularly with Staff to provide information on  
3 the management audit recommendation implementation  
4 status, and met with stakeholders in December 2010 and  
5 December 2011 in public forums to review and discuss  
6 its implementation efforts, including integration into  
7 the Company's processes and culture, improvements to  
8 the Company's efficiency and operations, and benefits  
9 to customers.

10 In Con Edison's last rate cases (13-E-0030, et al.),  
11 the Company filed extensive testimony discussing its  
12 completion of implementation of 91 of the 92  
13 recommendations. The Commission's February 21, 2014  
14 order in that proceeding found that the Company had  
15 implemented 91 of the 92 recommendation with the last  
16 recommendation, Recommendation 71, pertaining to the  
17 Company's implementation of a work management system.

18 Q. What is the implementation status of the  
19 recommendation pertaining to the Company's work  
20 management system?

21 A. Con Edison's most recent Management Audit  
22 Implementation Plan Update (the "AIP Update") filed



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1 with the Commission on January 28, 2015, reported the  
2 Company's completion of Recommendation 71. As  
3 discussed in the EIOP testimony, implementation of a  
4 new Work Management System was completed in December  
5 2014, with all phases of the implementation now  
6 concluded. With the completion of Recommendation 71,  
7 the Company has completed its implementation of all of  
8 the recommendations from the Management Audit.

9 Q. What has been the impact of that Management Audit on  
10 the Company?

11 A. Con Edison was committed to using the management audit  
12 as a tool to further improve its services and gain  
13 value for customers. The management audit and Con  
14 Edison's implementation of the recommendations  
15 contained in the management audit are helping the  
16 Company to achieve its overall vision as a premier  
17 provider of energy services to our customers. As a  
18 result of Con Edison's response to the management  
19 audit findings, the Company is instilling a cost-  
20 conscious mindset in its employees, and is taking  
21 actions in the near term that are closely linked to  
22 long-term goals that provide benefits to our

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1 customers. Con Edison is focusing on the overall bill  
2 impact of its actions that support our customers' need  
3 for safe and reliable service.

4 CUSTOMER ENGAGEMENT

5 Q. Please describe the Company's customer engagement  
6 initiatives.

7 A. The Company continues to improve internal/external  
8 communications and business processes to meet customer  
9 needs and expectations and to foster new rate  
10 structures to support customer choice, customer  
11 portals and information systems, and to provide  
12 customers with signals or incentives to better manage  
13 energy use. Building upon the Company's customer  
14 advocacy efforts, in more direct interaction with  
15 customers, the Company has already made real progress  
16 in this effort, as detailed below.

17 • Utilizing customer inquiry trends, the Company has  
18 identified regional areas of focus and continues to  
19 drive efforts to increase proactive communication  
20 and first-call resolution capabilities.

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1       • The Company has developed customer and community  
2       "work notices" to explain to customers the work it  
3       is doing, and why the work is being conducted.

4       • The Company has implemented enhanced line clearance  
5       communications to include advance tree trimming  
6       schedules and information in its service  
7       territories.

8    Q.   Please describe the investments and resources  
9       necessary to further meet customer expectations, and  
10      to engage customers to manage their energy use.

11   A.   New investments and resources are needed to enable  
12      customers to better manage electricity consumption and  
13      interact more seamlessly with the Company for  
14      information, requests for service, and other  
15      activities, particularly during outages.  Such  
16      investments and resources will also facilitate  
17      improvements in system efficiency, facilitate the  
18      interconnection of distributed energy resources  
19      ("DERs"), and enable development of future markets for  
20      DERs.  The EIOP explains that as the Company evolves  
21      from an energy delivery company to an energy service  
22      provider, and platforms are developed to efficiently

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1 manage customer demand and operations through the  
2 integration of DERs, the Company's Energy Efficiency  
3 and Demand Management Department will recruit  
4 specialists to allow the Company to analyze, identify,  
5 promote, plan, and ultimately incorporate DERs and  
6 customer-sided solutions into electric planning and  
7 operations efficiently and effectively. The EIOP also  
8 explains how upgrades to the Company's Outage  
9 Management System will provide increased  
10 functionality, enhance the Company's storm restoration  
11 and response capabilities, and improve communication  
12 with customers and municipalities during storms.  
13 Further, storm hardening improvements will reduce the  
14 number of outages during storms, shorten the duration  
15 of outages that occur, and maintain energy supply to  
16 critical local facilities to support the public during  
17 storm recovery.

18 These types of enhancements will lead to more  
19 positive customer interactions and experiences,  
20 influencing and improving their overall experience  
21 with the Company.

22 In the EIOP testimony, the Panel proposes a

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1 positive incentive around reducing the time within  
2 which temporary sidewalk shunts are removed that can  
3 translate into shorter wait times for repairs of  
4 services and more efficient removal of shunts. The  
5 EIOP also proposes an incentive that would encourage  
6 the Company to improve overhead system reliability  
7 that is already more than two times better than the  
8 State average and over three times better than the  
9 national average. The Company is interested in  
10 pursuing additional positive incentives as part of  
11 settlement discussions in this proceeding.

12 Q. What other initiatives are key to the Company's  
13 efforts to advance the customer experience?

14 A. In considering the customer, the Company is very  
15 attuned to the fact that Con Edison's energy delivery  
16 system is one of the most heavily relied upon in the  
17 world. We, as a company, are responsible for serving  
18 the financial and media capitals of the world,  
19 critical infrastructure including tunnels and subways,  
20 and more hospitals per square mile than any other city  
21 in the world. Over the next decade, variables that  
22 will redefine the basic assumptions of energy delivery

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1           – from economic drivers to technological innovations  
2           and customers' increasing ability to manage their  
3           usage – will change the landscape upon which Con  
4           Edison and other utilities operate. As a company, we  
5           must be ready to evolve and adapt, to meet the  
6           challenges presented by the changes that are coming  
7           and anticipate them. We anticipate that customers  
8           will increase their demand for technological advances  
9           that further enhance the potential of customer  
10          engagement and customer-sited energy sources. In  
11          evolving to meet customer needs, the Company has  
12          brought that focus to its Technology Roadmap, which is  
13          its long-term technology outlook.

14   Q.    What do you mean by the Technology Roadmap?

15   A.    The Technology Roadmap refers to the strategic  
16          technology platforms that the Company has determined  
17          should be considered as integral parts of the  
18          Company's products and services we will use and  
19          provide to customers. The Company's Technology  
20          Roadmap identifies and evaluates major projects  
21          necessary to achieve these customer engagement  
22          objectives and to prioritize and sequence these

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1 investments in a manner that would best achieve the  
2 Company's goals in a cost-effective manner. The  
3 Roadmap included a consideration of three core  
4 technologies - advanced metering infrastructure  
5 ("AMI"), customer information and billing system  
6 ("CIS"), a new geographic information system ("GIS"),  
7 and a fourth pertaining to redesign and upgrade of an  
8 existing tool, the redesign of the Company's website,  
9 [www.coned.com](http://www.coned.com).

10 Each of these initiatives would require a  
11 substantial capital investment and significant human  
12 resources to complete. The Company undertook a  
13 strategic planning initiative to evaluate these  
14 platforms across a variety of considerations including  
15 value to customers, risk mitigation, cost benefit,  
16 rate impact, and resources required to complete the  
17 projects.

18 The outcome of the planning initiative was the  
19 determination that customers would be best served by  
20 prioritizing two primary initiatives: 1) the  
21 implementation of AMI to all customers; and 2) a  
22 redesigned version of the coned.com website; while

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1       deferring implementation of a new CIS and instead  
2       maintaining the existing CIS by engaging in several  
3       initiatives to extend and sustain the current CIS.  
4       The Company concluded that the first two initiatives,  
5       described in more detail below, offer the best  
6       opportunity to engage and better serve its customers,  
7       taking into account risk mitigation and cost  
8       mitigation considerations. The prioritization and  
9       sequencing of these efforts were determined after the  
10      revenue requirement for this rate filing had been  
11      established. As discussed by the Accounting Panel,  
12      the revenue requirement will be adjusted at the update  
13      stage of this proceeding to reflect the Company's  
14      revised AMI proposal and to remove, for the Rate Year,  
15      the GIS initiative.

16    Q.    Can you describe the planned AMI initiative?

17    A.    This project will include the installation of advanced  
18       electric meters in the Company's service territory and  
19       the build-out of a supporting communications network  
20       for territory-wide coverage that will enable real-  
21       time, or near real-time, two-way communication  
22       enabling the Company to provide customers with



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1 information and timely feedback of their energy  
2 management actions. The Company expects AMI to  
3 provide substantial customer benefits. AMI has the  
4 potential to improve the management of the Company's  
5 distribution system and the Company's outage  
6 management and restoration processes. AMI will also  
7 enable the Company to engage customers in new ways and  
8 drive new patterns of energy utilization and customer  
9 behavior. AMI enables customers to make personal  
10 energy decisions, provides operational benefits (such  
11 as timely turn-on), improves outage response, reduces  
12 theft-of-service, enables finer control of system  
13 voltage levels improving system efficiency,  
14 facilitates the integration and monitoring of  
15 customer-sited DERs, and provides a communication  
16 backbone to support distribution automation. Con  
17 Edison plans to conduct a formal project-planning  
18 phase for AMI, followed by an implementation rollout.  
19 This is described in greater detail in the EIOP  
20 testimony. The Company will also seek to use REV  
21 demonstration projects to learn more about new  
22 business models related to the AMI deployment, such as

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1           how customers and third parties might value the  
2           capabilities that they would have as a result of AMI.

3                   Over time, AMI will provide significant customer  
4           benefit by delivering more information about electric  
5           service and energy use and facilitate customers'  
6           ability to respond to this information. AMI will also  
7           better enable the customer to interact with the  
8           Company.

9   Q.   How does AMI support the Company's goals?

10  A.   The Company is a leader in the industry with respect  
11       to analytics, technology, modeling, asset  
12       optimization, and risk assessment and more recently,  
13       in storm hardening, e.g., in having developed  
14       reconfigurable networks. The Company has shown itself  
15       to be an innovator and leader in building resiliency,  
16       continuing a tradition of reliability, advancing  
17       energy efficiency, and demonstrating technical  
18       adaptability to changing regulatory direction. These  
19       strengths position the Company well for the next  
20       phase, which is advancement on the customer experience  
21       front. AMI is a platform that is multi-dimensional  
22       and has benefits well beyond those that are commonly

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1 stated and predictable and will also advance the  
2 traditional goals of operational excellence and  
3 safety. AMI as a core technology will improve  
4 customer functionality in energy management and  
5 advance the goal of customer focus and enhancement of  
6 the customer experience.

7 Q. Can you describe the upgrade of the Company's customer  
8 website?

9 A. A new version of [www.coned.com](http://www.coned.com) is expected to  
10 streamline customer service as well as provide timely  
11 information to customers and other stakeholders. The  
12 upgrades to the coned.com website will provide  
13 customers with several new features that promote  
14 easier interaction and communication with the Company.  
15 The proposed upgrades to the website will also  
16 facilitate access to information about doing business  
17 with Con Edison and allow third parties, such as  
18 contractors, vendors, and others, to interact better  
19 with the Company, indirectly providing benefits to  
20 customers by potentially creating more options and  
21 choice. This functionality will be further enhanced  
22 with the addition of the Customer Portal, which is

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1 contemplated in the REV proceeding.

2 Q. Please describe the phases and associated timeframes  
3 for implementing the Company's AMI and coned.com  
4 initiatives.

5 A. An AMI implementation plan will be developed and  
6 commence in 2015. The development of the  
7 implementation plan is expected to take six to nine  
8 months to complete. The outcomes of the  
9 implementation plan will include a detailed cost  
10 estimate and business case and a comprehensive project  
11 schedule and rollout plan. Implementation will  
12 commence in 2016 and is expected to continue through  
13 2023. This is discussed in greater detail in the EIOP  
14 testimony. The upgrade to coned.com is likely to span  
15 four years through 2018, beginning with Phase 0 this  
16 year. This is discussed in greater detail in the  
17 Customer Operations Panel testimony.

18 Q. Please describe other key customer service engagement  
19 efforts that the Company will continue and expand.

20 A. The Company's demand side management, energy  
21 efficiency, and demand response programs are targeted  
22 at improving customer value by allowing customers to

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1 use energy more efficiently or, in the case of demand  
2 response, reduce customer demand during peak periods,  
3 to allow the Company to increase reliability and  
4 reduce costs to its customers. Approximately 246,000  
5 residential customers and 41,000 commercial customers  
6 participate in these programs. The Company offers a  
7 broad portfolio of energy efficiency programs funded  
8 through the Energy Efficiency Portfolio Standard  
9 ("EEPS") proceeding, including residential, small  
10 business, multi-family, multi-family low-income, and  
11 commercial and industrial programs. The EEPS programs  
12 provided 196,600 MWh of energy savings and 33.9 MW of  
13 demand reductions in 2014. In addition, the Company's  
14 demand response programs deliver temporary load relief  
15 of 390 MW (approximately 34,000 customers) for system  
16 peak shaving and contingencies, and include both  
17 commercial demand response mandatory and voluntary  
18 programs and residential demand response programs.  
19 The residential programs target central air  
20 conditioning through the Direct Load Control Program  
21 and the Bring-Your-Own Thermostat program, and room  
22 air conditioners through the a residential smart

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1 appliance program, which includes the CoolNYC "Modlet"  
2 and "Bring Your Own Device" pilots.

3 Q. Is funding for the energy efficiency and demand  
4 response programs being requested in this proceeding?

5 A. No. The energy efficiency programs are funded through  
6 the Systems Benefits Charge ("SBC") pursuant to orders  
7 in the EEPS proceeding through the end of 2015 and the  
8 demand response programs are funded through the  
9 Company's Monthly Adjustment Clause ("MAC"). Funding  
10 for the energy efficiency programs beginning in 2016  
11 will be addressed in an Energy Efficiency Transition  
12 Implementation Plan ("ETIP"), which Staff has  
13 requested that utility companies file by the end of  
14 March 2015. Funding for the Company's residential  
15 demand response programs is being addressed in Case  
16 15-E-0012 and will also be addressed in the Company's  
17 ETIP. While the Company is still in the early stages  
18 of completing its ETIP and has not yet determined the  
19 extent to which it will propose modifications to its  
20 current portfolio of programs, the Company can state  
21 that it fully expects to maintain and expand the  
22 penetration of both its energy efficiency and demand

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1 response programs. The Company's current energy  
2 efficiency and demand response programs are described  
3 in more detail in the EIOP testimony.

4 Q. Will the Company's Targeted Demand Side Management  
5 Program be included in the Company's ETIP?

6 A. No. The Company's Targeted Demand Side Management  
7 ("TDSM") Program provides an excellent vehicle for  
8 targeting energy efficiency and other demand  
9 management efforts in networks where the Company needs  
10 to reduce demand in order to avoid the need for  
11 investment in new infrastructure. As discussed in the  
12 EIOP testimony, the TDSM Program has been an important  
13 part of the Brooklyn Queens Demand Management ("BQDM")  
14 Program, discussed below, and will be an important  
15 element of future Company efforts to reduce demand  
16 where needed. The BQDM approach fits very well within  
17 the approach recommended in REV. Funding for the  
18 existing TDSM Program expires at the end of May 2015.  
19 The Company plans to seek an extension of funding for  
20 targeted DSM programs through a modified plan that  
21 allows more flexibility and is consistent with the  
22 BQDM approach. Successful implementation of such a

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1 program will depend upon increased customer engagement  
2 and may result in increased penetration of DERs.

3 Q. Please continue to describe customer service  
4 engagement initiatives.

5 A. Other initiatives described in the EIOP testimony and  
6 the Customer Operations Panel testimony address  
7 improved service, communications, and customer  
8 processes, all of which enhance the customer  
9 experience and are integral to Company's focus on  
10 customers. These include, among others, the Customer  
11 Interaction Center in the Call Center, field  
12 operations technical supports, customer outreach  
13 initiatives, and off-system billing to automate  
14 billing for customers with more complex rates and  
15 programs to reduce delay and errors.

16 Q. How else does the Company plan to enhance customer  
17 engagement and improve the customer experience?

18 A. The Company continuously seeks to improve internal  
19 processes and educate employees to advance its  
20 relationships with its customers. Examples of these  
21 continuing investments and initiatives include:  
22 customer outreach, on-demand surveys, social media,



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1 two-way texting/mobile applications, first-call  
2 resolution improvement, storm communication, and  
3 service automation.

4 Q. Please provide examples of process improvements the  
5 Company plans to implement.

6 A. During outages, customers highly value timely and  
7 accurate information about when service will be  
8 restored to their residence or business. Getting this  
9 information early in the restoration process will  
10 allow customers to make appropriate plans for the  
11 duration of the outage. To enhance the timeliness and  
12 accuracy of estimated time of restoration ("ETR")  
13 information provided to customers, municipalities, and  
14 other stakeholders, the Company is redesigning its  
15 restoration planning and communication processes.  
16 Specifically, the Company will be leveraging  
17 technology to enhance the damage assessment process to  
18 assist in the generation of more timely and accurate  
19 ETRs. These enhancements will be coupled with new  
20 communication processes, Outage Management System  
21 ("OMS") enhancements, new dashboards that allow for  
22 greater transparency and information flow within the

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1 Company and to our municipalities, and a new  
2 application called Resource on Demand ("RoD") to  
3 enable more effective management of emergency  
4 management resources.

5 Q. Are there other services that the Company will propose  
6 that will benefit customers?

7 A. Yes. The Company will employ various energy  
8 efficiency tools, proposes in this filing an electric  
9 vehicle charging rate (plug-in electric vehicles or  
10 "PEV"), and in the course of developing REV  
11 demonstration projects in the REV proceeding, plans to  
12 propose a time-sensitive rate demonstration project to  
13 study customer behavior and develop rates in response.

14 In addition, the BQDM project, described by the  
15 EIOP and in this testimony under REV, is expected to  
16 provide important insights to the Company about the  
17 value of various services and the degree to which the  
18 Company can engage customers. By providing the  
19 ability to control energy use more directly, the  
20 Company will learn about customer responses and  
21 engagement with these new alternatives as well as  
22 potential business models. BQDM will inform the

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1 Company about the potential to defer other  
2 infrastructure investments (and associated costs), to  
3 the extent that the level of demand response and  
4 energy efficiency grow.

5 RISK REDUCTION

6 Q. Please discuss risk reduction as a major driver of  
7 investments presented in this rate case.

8 A. Risk reduction encompasses programs to sustain the  
9 health of Con Edison's electric system, which the  
10 Company has worked hard to improve, and to further  
11 improve reliability and safety and incorporate storm  
12 hardening and resiliency work.

13 Reliability and resiliency are key Company  
14 initiatives that not only are a core expectation of  
15 customers but also enhance customer value. This rate  
16 filing addresses traditional infrastructure upgrades  
17 and investments that are critical to meet customer  
18 expectations for reliable service.

19 Q. Please start with reliability.

20 A. Con Edison's customers place great value on the  
21 reliability of their electric service. The Company's  
22 service territory is notable for its density of use,

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1 marked by high-rise commercial and residential  
2 development, and public transportation systems, all of  
3 which count on reliable electric service. Investments  
4 designed to reduce risk and maintain reliability not  
5 only provide value to our customers but are critical  
6 to the smooth functioning of this dense, populous, and  
7 complex city and its suburbs.

8 Put another way, operational excellence is  
9 critical to the service our customers expect.  
10 Appropriate and timely investment in the electric grid  
11 will enable the Company to provide for the health and  
12 stability of the Company's electric system and allow  
13 the Company to meet customer needs and expectations.  
14 Examples of this type of investment, which the Company  
15 will continue to make, are improvements to network  
16 systems, distribution transformers and their  
17 monitoring systems, feeders, high voltage breakers,  
18 and overhead system enhancements. These investments  
19 are described in detail in the EIOP testimony.

20 Q. What other types of reliability investments will the  
21 Company make?

22 A. The investments the Company has been making in its

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1 electric infrastructure have strengthened its system  
2 considerably but further improvements are still needed  
3 in the primary and secondary distribution systems.  
4 Such investments will include the build out of shared  
5 switchable and flexible networks, the migration to  
6 looped and switchable overhead primary distribution  
7 from radial systems, the interconnection of sub-  
8 networks on the secondary distribution system, paper-  
9 insulated lead-covered ("PILC") cable replacement and  
10 underground sectionalizing, and the implementation of  
11 increased automation of the grid. These are described  
12 in greater detail in the EIOP testimony.

13 Q. What are the long-term benefits of such programs?

14 A. The benefits of all of these improvements include  
15 increased reliability (fewer and shorter outages),  
16 improved resiliency, and safer operations.

17 Q. Please describe other investments the Company will  
18 make in its electric distribution system to improve  
19 reliability.

20 A. As described in the EIOP panel, the Company will focus  
21 on improvements to its distribution system that  
22 involve repair work on secondary cables and

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1 infrastructure replacement and renewal. These  
2 investments will reduce failure events that cause  
3 stray voltage and manhole events on the network  
4 system. The Company's asset management initiative,  
5 described below and in the EIOP testimony, and  
6 improved analytics capability enable targeted  
7 investment in the portions of the networks that will  
8 yield the most benefit in risk reduction and  
9 reliability. This strategic and targeted spending of  
10 capital allows the Company to reduce its request for  
11 capital and make it lower than it otherwise would have  
12 been.

13 Q. Please discuss how the Company's asset management  
14 program optimizes expenditures to reduce risk and  
15 improve reliability.

16 A. The Company's asset management initiative is designed  
17 to optimize "maintain, repair, or replace" decisions  
18 based on the performance, cost-effectiveness, and risk  
19 associated with components of the electric system.  
20 These assets are assessed through routine inspections  
21 or remote monitoring and, based on their performance,  
22 the Company targets the appropriate investments in the

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1 grid.

2 Q. What other investments is the Company making to reduce  
3 risk to the system and its customers?

4 A. The Company remains focused on storm hardening, a  
5 program that endorsed by the Commission following  
6 Superstorm Sandy. Storm hardening efforts are focused  
7 on the following four objectives: protect  
8 infrastructure, harden components, mitigate impacts,  
9 and facilitate restoration. The Company continues to  
10 implement overhead equipment upgrades, secondary  
11 network switching, and upgrades to critical  
12 substations to improve resiliency in the event of a  
13 major storm. The Company now has a new design basis  
14 for storm surges that is linked to the most recent  
15 Federal Emergency Management Agency ("FEMA") flood  
16 maps. In addition, a design element for overhead  
17 storm resiliency has resulted in more sectional  
18 devices to reduce customer impacts from 750-1000  
19 customers to 500 customers per circuit segment. The  
20 Company has also accelerated its deployment of  
21 submersible network equipment to protect against storm  
22 surges and heavy rain events. This equipment will

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1 also result in improved asset performance and improved  
2 life extension. And the Company's flood wall  
3 protection for critical infrastructure has been  
4 updated through the Storm Collaborative in the last  
5 electric rate case and will be revisited regularly as  
6 new climate science and climate models change.

7 In the Company's Electric Production facilities,  
8 ongoing efforts are focused on minimizing damage from  
9 salt water, mitigating water entry, and enabling rapid  
10 recovery, among others. These and other specific  
11 storm hardening initiatives are detailed in the EIOP  
12 testimony.

13 Q. Please discuss the Company's plans to address physical  
14 security at critical locations.

15 A. The Company is undertaking a number of measures both  
16 to protect its infrastructure and secure its  
17 facilities. The Company has previously completed the  
18 upgrade of existing security systems at 16 of its Bulk  
19 Power Substations. These upgrades include state-of-  
20 the-art intrusion detection systems, which are  
21 comprised of perimeter protection, card access systems  
22 to restrict access, camera integration, closed circuit



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1 TV cameras and continuous monitoring via the Company's  
2 Security Operations Center. Similar plans will be  
3 implemented 2015 - 2018 at a prioritized list of  
4 substations. At the Company's Energy Control Center,  
5 additional investments will be made in physical  
6 security systems such as card readers, security  
7 cameras, and biometrics. Ongoing investment in these  
8 programs is critical to maintaining adequate and  
9 effective security of the Company's facilities and  
10 many of the upgrades are required by NERC standards.

11 Q. Please discuss the Company's approach to cyber  
12 security.

13 A. The Company is making myriad investments to protect  
14 its networks and cyber infrastructure. These measures  
15 include the upgrade of various IT and substation  
16 systems to the latest standards, as well as hiring new  
17 staff to assist in implementing programs to comply  
18 with cyber security standards. Under these evolving  
19 cyber security standards the Company is mandated to  
20 implement new controls at 32 of its substations. The  
21 Company is committed to full compliance with the NERC  
22 cyber security standards and is investing to both meet

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1 the standards and protect its infrastructure.

2 Q. Describe how the deployment of AMI will impact risk  
3 reduction and reliability.

4 A. AMI enables various types of functionality, including  
5 informing the Company in the event of service  
6 interruptions (potentially reducing outage duration),  
7 remote turn on and turn off, and voltage optimization.  
8 While AMI has important benefits for customer  
9 engagement, the implementation will also improve  
10 reliability and enable the Company to have greater  
11 visibility into and better management of customer  
12 events.

13 Q. Describe the risk reduction and reliability benefits  
14 of energy efficiency, demand side management, and  
15 demand response.

16 A. In addition to the many benefits from customer  
17 engagement that come from these programs, there are  
18 significant operational benefits that stem from these  
19 programs. When the electric grid comes under stress  
20 (*i.e.*, during peak loads periods), these programs  
21 provide additional operational tools to reduce  
22 customer demand in stressed networks, enabling short-

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1 term relief during critical conditions. These  
2 benefits are additional to those provided by the long-  
3 term reduction of load, which can defer investments in  
4 capacity. These programs are addressed in detail in  
5 the EIOP testimony.

6 COST MANAGEMENT

7 Q. Please describe the Company's approach to cost  
8 management.

9 A. Cost-consciousness and mitigating the bill impact to  
10 customers are critical to the Con Edison process for  
11 evaluating and optimizing the investments described  
12 above.

13 Q. Please describe the corporate capital optimization  
14 process.

15 A. The Company implements a Capital Optimization  
16 methodology to help identify an optimal portfolio of  
17 projects that closely align with the Company's  
18 strategic goals. The Company has established a set of  
19 strategic drivers, each with relative weights, based  
20 on the Company's long-term objectives. Each capital  
21 project is assessed against the strategic drivers by  
22 subject matter experts, and the strategic assessment

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1 of each project is then presented to each  
2 organization's Capital Optimization Team for approval.  
3 After the assessment of all projects is approved, a  
4 prioritization analysis is performed utilizing  
5 optimization software, and an optimized portfolio of  
6 capital projects is generated. The planned capital  
7 projects are then adjusted to align with the optimized  
8 portfolio considering capital expenditure levels,  
9 equipment procurement durations, construction  
10 durations, and scheduled station outages.  
11 Investment decisions, including the Technology  
12 Roadmap, seek cost-effective solutions and phasing of  
13 investments to manage the costs to customers while at  
14 the same time providing benefit through the  
15 implementation. This type of planning and innovation  
16 results in costs that will be lower than they  
17 otherwise would have been.

18 Q. Please describe other ways in which the Company is  
19 managing costs.

20 A. As described in the EIOP testimony, the Accounting  
21 Panel testimony, the Shared Services Panel testimony  
22 and testimony of other panels, the Company has

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1           undertaken a number of discrete initiatives to manage  
2           costs.  These include reducing material and supply  
3           costs through the use of "lean" principles that seek  
4           to reduce waste and focus on business value,  
5           efficiency and quality through productivity  
6           improvements achieved through process changes, and the  
7           deployment of a work management system ("WMS") that  
8           has significantly improved field crew productivity.  
9           These initiatives will continue through the rate  
10          period set in this filing.

11  Q.    The Accounting Panel proposes that net plant  
12          reconciliation not be continued and that, if  
13          continued, that reconciliation be to a single  
14          aggregate net plant target and not applied to sub-  
15          categories of expenditures, except for municipal  
16          infrastructure support capital.  Do you agree with  
17          this proposal?

18  A.    Yes, we do, for the reasons explained by the  
19          Accounting Panel.

20  Q.    Are there additional reasons for rejecting net plant  
21          reconciliation, especially by category of  
22          expenditures?

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1 A. Yes. As we discuss in this testimony, the Company has  
2 processes in place designed to optimize its capital  
3 expenditures across the broad spectrum of the  
4 Company's operations, through comprehensive cost  
5 management, capital expenditure prioritization,  
6 capital spending optimization, and long-term planning  
7 initiatives.

8 Despite diligent efforts to develop forecasts of  
9 projects, programs, and associated expenditures,  
10 circumstances will inevitably arise during the term of  
11 a rate plan that compel the Company to adjust its  
12 plans to address new or changed circumstances.

13 A net plant reconciliation mechanism that does  
14 not reasonably accommodate circumstances outside the  
15 Company's control for which the Company cannot plan  
16 (e.g., interference), and/or, by its design, reflects  
17 unduly restrictive cost recovery constraints that may  
18 drive investment decisions that are not optimal, is  
19 not in the interests of customers.

20 Q. Please explain what you mean by unduly restrictive  
21 cost recovery constraints.

22 A. Under a multi-category net plant target system, when

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1 re-prioritizing capital expenditures to address  
2 changed circumstances, the Company must consider that  
3 exceeding the net plant target in one net plant  
4 category cannot be offset by reducing expenditures in  
5 the other category. This may lead to investment  
6 decisions that are sub-optimal for customers.

7 Q. Please explain what you mean by a sub-optimal  
8 investment decision.

9 A. The Company utilizes many tools to reprioritize its  
10 capital expenditure plan in order to provide funding  
11 for projects necessitated by unanticipated events  
12 (e.g., additional transmission to address an  
13 unexpected generator retirement or mothball  
14 situation). These tools include risk models,  
15 analytics, and our enterprise risk management process.  
16 However, most of the Company's expenditures in the  
17 Transmission and Distribution ("T&D") category offer  
18 little opportunity for reprioritization. As a result,  
19 the funds for unanticipated T&D projects are normally  
20 drawn from expenditures planned for T&D programs that  
21 the Company has the discretion to modify or defer, but  
22 not without a variety of undesirable consequences,

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1 such as increased safety risks, reduced reliability,  
2 and higher costs. Accordingly, these decisions to  
3 reduce expenditures in "discretionary" T&D programs  
4 are often sub-optimal when compared to expenditure  
5 reductions that should have been made for programs in  
6 other categories that are currently "walled off" from  
7 such consideration because net plant reconciliation is  
8 applied by category.

9 Q. Please describe non-discretionary T&D expenditures.

10 A. A large portion of the T&D capital budget can be  
11 described as non-discretionary. Spending on New  
12 Business, Interference, Replacement of Failed  
13 Equipment, programs required by rules, regulations or  
14 orders of various regulatory authorities, and Load  
15 Relief clearly must be performed. In addition, given  
16 the recent history of and future potential of severe  
17 storms to impact our service territory, we consider  
18 storm hardening plans to also be non-discretionary.  
19 These categories account for approximately 90 percent  
20 of the Distribution capital budget and 55 percent of  
21 the total of the Substation and System and  
22 Transmission Operations capital budgets. In total,



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1 non-discretionary spend accounts for approximately 75  
2 percent of the Electric T&D capital budget. That  
3 leaves approximately 25 percent of the Electric T&D  
4 capital budget that can be subjected to optimization.

5 Q. Please describe how optimizing this "discretionary"  
6 spend may result in sub-optimal investment decisions.

7 A. While reducing this "discretionary" spend in order to  
8 address a higher priority T&D project may not have an  
9 immediate impact, over the longer term there would be  
10 an impact on system safety, reliability and/or  
11 cost. That is because a large portion of the so  
12 called "discretionary" spend is in programs that seek  
13 to proactively replace equipment prior to failure. If  
14 replacement is delayed, the risk of failure increases.  
15 Failure of equipment may endanger the public,  
16 compromise reliability, and result in higher costs  
17 than proactive replacement. Programs within this  
18 "discretionary" category, discussed in the EIOP  
19 testimony, include the Underground Secondary  
20 Reliability Program, the Pressure, Temperature, and  
21 Oil level ("PTO") program, the Primary Feeder  
22 Reliability Program, and the Transformer Vault

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1 Modernization Program.

2 Q. Please provide examples of changed circumstances to  
3 which the Company must react and that potentially  
4 impact other planned work.

5 A. As explained by the Company's Municipal Infrastructure  
6 Support Panel, the Company is compelled to respond to  
7 municipal infrastructure projects impacting Company  
8 facilities in accordance with schedules and scopes of  
9 work established unilaterally by the municipality.  
10 This work may entail major infrastructure projects,  
11 like a NYC water tunnel project, or a myriad of  
12 smaller projects, each smaller in scope, but material  
13 in the aggregate.

14 Other circumstances for which an immediate  
15 response may be required include facilities needed as  
16 a result of generator retirement or mothballing, or  
17 implementation of new cyber or physical security  
18 requirements.

19 Q. When these unanticipated circumstances arise, isn't  
20 the Company able to adjust other planned work?

21 A. Of course, and we do. However, it may not always be  
22 in customers' interest to do so.

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1 Q. Please explain why.

2 A. As part of the rate-setting process, the Company  
3 presents a forecast of projects and programs that,  
4 with adjustments made during the course of the rate  
5 proceeding, form the basis for the Company's capital  
6 program for the Rate Year. By establishing rates that  
7 reflect this capital program, the Commission believes  
8 that these are projects and programs that the Company  
9 should execute. Assume these projects and programs  
10 are exactly on target, but the Company is then  
11 confronted with a large unanticipated expenditure to  
12 address a new municipal interference project during  
13 the Rate Year. The Company believes that it should be  
14 able to exercise reasonable management judgment, and  
15 apply its management expertise, in deciding whether  
16 and how the overall capital program should be adjusted  
17 to accommodate the interference work, without having  
18 to consider an unduly restrictive cost recovery  
19 constraint.

20 Q. Are you suggesting that the proper course of action in  
21 all such instances is to execute and recover the  
22 incremental cost of such additional work?

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1 A. Absolutely not. The Company is extremely sensitive to  
2 overall spending and the cost impact on customers.  
3 Accordingly, when these situations arise, the Company  
4 first looks to manage its overall operations to stay  
5 within budget. What we are saying is that in  
6 circumstances where it makes sense to do additional or  
7 different work, the terms of the rate plan should not  
8 unduly restrict the Company's discretion to manage its  
9 budget and operations by placing the financial risk of  
10 such decisions solely on investors.

11 For that reason, we support the Accounting  
12 Panel's recommendations to (i) eliminate categories of  
13 expenditures if net plant reconciliation is continued  
14 and (ii) to provide for some limited upward  
15 reconciliation (and associated deferral for the  
16 benefit of investors) if, notwithstanding the  
17 Company's efforts to manage its overall expenditures  
18 at or below the aggregate net plant target, the  
19 Company believed that the interests of customers  
20 dictated a level of expenditures that cause the  
21 Company to exceed the aggregate net plant target.

22 Q. Do your concerns also extend to the Company's O&M

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1 expenditures?

2 A. They do, with respect to major storms, and, to a  
3 lesser extent, interference.

4 Q. Please explain.

5 A. Con Edison rate plans adopted by the Commission  
6 appropriately include a reconciliation mechanism for  
7 both interference O&M and a major storm reserve.  
8 However, the interference O&M reconciliation mechanism  
9 is asymmetrical, fully protecting customers if actual  
10 expenditures are less than forecast, while subjecting  
11 the Company to financial risk for expenditures above  
12 the target. With respect to the major storm reserve,  
13 there were some material changes to the reserve  
14 adopted as part of the current rate that should be  
15 modified.

16 Q. Is the Company proposing modifications to these two  
17 mechanisms?

18 A. Yes. The Accounting Panel, the Municipal  
19 Infrastructure Support Panel, and the EIOP provide  
20 testimony supporting modifications to these two  
21 mechanisms.

22 The Policy Panel supports these proposals and

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1 reiterates our belief that customers' interests are  
2 best served by a rate plan that does not impose cost  
3 recovery constraints that may be designed to protect  
4 customers' interests but may in practice impede the  
5 Company in applying its management expertise to  
6 effectuate more efficient operations.

7 REFORMING THE ENERGY VISION ("REV") PROCEEDING

8 Q. Please provide a brief overview of the Company's  
9 participation in the REV proceeding.

10 A. The Company has actively participated in the REV  
11 proceeding by making presentations at Commission-  
12 sponsored technical conferences, taking leadership  
13 roles in Staff-sponsored collaborative discussions,  
14 and submitting extensive written comments, both  
15 individually and jointly with other New York State  
16 electric and gas utilities ("Joint Utilities"). All  
17 of these actions demonstrate the Company's support for  
18 the REV goals articulated by the Commission.

19 Q. Has the Company undertaken any specific initiatives  
20 outside of the REV proceeding that promote REV goals?

21 A. Yes. Many of the Company's existing and ongoing  
22 initiatives, programs, and investments promote REV

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1 goals. Specifically, the Company has undertaken  
2 efforts to increase integration of DERs, microgrids,  
3 and storage. For example, there are currently eight  
4 microgrid projects under active development; eight  
5 solar installations greater than 500 kW; and 1.5 MW of  
6 distributed storage projects planned in connection  
7 with the Indian Point demand management program. The  
8 Company has also developed a Distributed Energy  
9 Resources Management System ("DERMS") and Demand  
10 Response Management System ("DRMS"). DERMS allows  
11 operators to visualize near real-time customer demand  
12 information while also receiving near real-time status  
13 of demand response and distributed energy resources  
14 and DRMS manages participant enrollment, event  
15 notifications to customers, settlements, and reports.

16 These efforts and initiatives are designed to add  
17 to the resiliency of the Company's electric system,  
18 enable the Company to continue to learn about the  
19 behavior of these resources on the grid, and engage  
20 customers in innovative solutions.

21 In addition, the Company has been at the  
22 forefront of demand response and demand-side

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1 management initiatives, with its signature BQDM  
2 program just recently approved by the Commission in  
3 December 2014 ("BQDM Order"). Indeed, in the REV  
4 proceeding, the Commission has specifically pointed to  
5 7Con Edison's approach as a model with respect to its  
6 willingness to seek non-traditional solutions to  
7 address electric demand growth. In fact, the BQDM  
8 Order (p.2) states:

9 This is the first time that the Commission  
10 is requiring a utility to actively and  
11 vigorously work to address growth in system  
12 demand in a manner other than through  
13 traditional utility investment. By  
14 encouraging deployment of distributed energy  
15 resources according to grid needs, offering  
16 increased clean energy solutions for  
17 customers, and promoting innovation through  
18 competition, *this proposal is consistent*  
19 *with the vision set forth in the Reforming*  
20 *the Energy Vision (REV)*. By this Order, the  
21 Commission is making a significant step  
22 forward toward a regulatory paradigm where  
23 utilities incorporate alternatives to  
24 traditional infrastructure investment when  
25 considering how to meet their planning and  
26 reliability needs. The program established  
27 herein provides an important opportunity to  
28 consider and observe the means by which the  
29 Commission's objectives for the REV  
30 proceeding may be achieved in the  
31 marketplace, through a demand-side  
32 management program using nontraditional  
33 utility and customer-side solutions to  
34 offset or eliminate the need for traditional  
35 utility infrastructure. [emphasis added]



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1 Q. Does the Company's rate filing reflect any additional  
2 programs designed to enable the concepts being  
3 addressed in the REV proceeding?

4 A. Yes. As discussed by the Company's EIOP and Customer  
5 Operations Panel, a number of the Company's planned  
6 projects and programs, including the Technology  
7 Roadmap components of AMI and the upgrade to the  
8 coned.com website, further REV goals.

9 Q. Are all of the Company's plans to implement REV  
10 included in this rate filing?

11 A. No. With respect to projects and programs that  
12 address concepts directly at issue in the REV  
13 proceeding, like the Distributed System Platform  
14 ("DSP"), REV demonstration projects, and demand-side  
15 management programs that have been addressed outside  
16 Company base rate proceedings, the Company is planning  
17 to submit a separate filing to the Commission  
18 discussing its plans and proposals, and a mechanism  
19 for implementing such proposals.

20 Q. Why is the Company addressing REV initiatives in a  
21 filing separate from this base rate filing?

22 A. The Company chose the vehicle of a separate filing for

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1 several reasons.

2 First, since the Commission has not yet issued  
3 its Track One order in the REV proceeding, and the  
4 Track Two Straw proposal has been moved to the second  
5 quarter of 2015, it is premature to develop specific  
6 projects and proposals for inclusion in base rates.  
7 In fact, the Commission itself recently issued a  
8 December 12, 2014 *Notice Encouraging Development of*  
9 *Demonstration Project Proposals* ("Notice") in the REV  
10 proceeding encouraging utilities to work with  
11 stakeholders to develop potential demonstration  
12 projects "so that they will be better prepared to act  
13 promptly to initiate their proposals once the  
14 Commission has made its REV Track One policy  
15 determinations." (Notice at 1). The Notice also  
16 recognizes that "utilities may need to propose cost  
17 allocation methodologies and cost recovery mechanisms  
18 to support such projects, especially when projects  
19 emerge outside the rate case process." *Id.* at 1-2.

20 This is the case for Con Edison because the Track  
21 One order will issue after this rate filing has been  
22 made.

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1           Second, the Commission will likely issue its  
2           decision on this rate filing in December 2015. The  
3           Company therefore concluded that if its REV proposals  
4           were part and parcel of this rate proceeding, the  
5           Commission could not act on, and the Company would not  
6           be able to implement, these proposals until January  
7           2016 at the earliest. By making a separate REV filing  
8           the Company has the opportunity to begin work on REV  
9           projects and programs earlier than January 2016, as  
10          the Commission deems appropriate.

11           The flexibility gained from a separate filing  
12          will allow the Company to proceed with REV projects in  
13          a timely manner (e.g., in pursuing demonstration  
14          projects following issuance of the Track One order)  
15          and is therefore of value to the Commission, the  
16          Company, and to stakeholders that would benefit from  
17          implementation of Con Edison REV programs as soon as  
18          practicable.

19    Q.    Is there another reason why the Company elected to  
20          present its REV plans and proposals in a separate  
21          filing?

22    A.    Yes. The Company believes that initial cost recovery

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1 of REV projects should be other than through base  
2 delivery rates.

3 Q. Please explain why.

4 A. The consideration of projects and programs in rate  
5 proceedings involves a long and detailed process.  
6 Generally, the utility needs to develop its proposed  
7 projects and programs several months in advance of the  
8 filing, and then provide specific elements of the  
9 projects and programs, including costs. The utility  
10 has an opportunity to update its proposals at a point  
11 in time during the schedule determined by the  
12 presiding officer, and then, following hearing and/or  
13 settlement, await a Commission decision more than a  
14 year from the time the utility first developed its  
15 proposals. For Con Edison, that would have meant  
16 developing specific proposals no later than November  
17 2014. Not only did the Company determine that  
18 development of specific proposals in this timeframe  
19 would be premature, for demonstration projects it  
20 would have precluded the collaboration with  
21 stakeholders contemplated by the Notice. For these  
22 reasons, this rate filing is not an appropriate

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1 vehicle to effectively and efficiently implement REV  
2 projects and programs.

3 Q. Is there precedent for pursuing projects and programs  
4 of this nature outside of a base rate proceeding?

5 A. Yes, there is. The Company's current TDSM and BQDM  
6 programs both provide for the development and  
7 implementation of projects and programs outside of a  
8 base rate proceeding and for the Company to recover  
9 its costs through the MAC. The Commission's Notice  
10 expressly contemplates cost recovery mechanisms for  
11 demonstration projects other than through base rates.

12 Q. Did the BQDM Order direct the Company to "propose to  
13 remove unrecovered deferred BQDM Program costs from  
14 the surcharge and propose to include such costs in the  
15 Company's revenue requirement to be collected from  
16 customers through base rates"?

17 A. Yes. As explained by the Company's Accounting Panel,  
18 the timing of the BQDM Order precluded the Company  
19 from reflecting BQDM expenditures to date in the  
20 revenue requirement. Pursuant to the Commission's  
21 directive, the Accounting Panel discusses a process  
22 for reflecting deferred BQDM costs in base rates.

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1 Q. Does that conclude your testimony?

2 A. Yes, it does.