

April 3, 2017

VIA ELECTRONIC FILING

Hon. Kathleen H. Burgess
Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

Re: Case 14-E-0302, Consolidated Edison Company of New York, Inc. –
Brooklyn/Queens Demand Management Program.

Dear Secretary Burgess:

On January 19, 2017, Consolidated Edison Company of New York, Inc. (“Con Edison” or “Company”) filed a Petition For Extension Of Time To Implement Brooklyn Queens Demand Management (“BQDM”) Program (“Petition”) with the Public Service Commission (“Commission”) in the above-captioned proceeding. The Petition requests that the Commission authorize an extension of the BQDM Program with no termination date and with no change to the previously-authorized budget. A Notice of Proposed Rule Making (“Notice”) was published in the February 8, 2017 *New York State Register* seeking comments on the Petition. The Notice sets a comment deadline of March 27, 2017. On March 27, 2017 the City of New York (“City”) submitted a request for an extension of the comment deadline which was granted on March 28, 2017. In accordance with the Secretary’s March 28, 2017 Notice Regarding Submission of Comments, the City hereby submits these comments in response to Con Edison’s Petition.

In its Petition, Con Edison reported that it has contractual commitments in place for 42 MW of customer-side projects and 11 MW of utility-side non-traditional projects. Con Edison claimed that all of these projects will be in-service by June 1, 2018, but that some are not expected to continue into and beyond 2019. As to its system needs, Con Edison’s Petition noted that the Company’s peak demand forecasts have declined since 2014, driven mostly by lower economic forecasts and less new construction. Traditional infrastructure work, including the installation of capacitor banks, has improved system conditions and lessened the need for the major infrastructure work that had been identified. Indeed, Con Edison now expects a “reliability cushion” in Brownsville as a result of the BQDM Program, even if all Program projects are not completed.

The City has been a supporter of the BQDM Program because of its potential to lower costs for Con Edison customers and improve conditions and serve load in a part of New York City that otherwise would need substantial infrastructure investments. Going forward, Con Edison’s

Petition requests that the BQDM Program be allowed to continue past 2018 with no termination date and no increase in the \$200 million funding limit previously approved by the Commission. The Company sees an opportunity to enlist more Distributed Energy Resources (“DER”) to provide further load relief and extend the infrastructure need date by two years or more, and it believes that the Program will continue to be cost-effective. The City is supportive of the Company’s request to continue the BQDM Program and utilize Non-Wires Alternatives (“NWA”) and DER strategies for the deferment, or the elimination of, future traditional infrastructure work. Ultimately, if extending the BQDM Program will offer cost savings to customers while also maintaining comparable levels of reliability, such actions are beneficial.

Notwithstanding the foregoing, the Company’s Petition lacks supporting information and analyses regarding the following benefits cited by the Company in furtherance of its request: (i) the Company’s plans for providing further load relief and deferment of infrastructure investments; (ii) how the Company will better manage performance and forecasting risks, as well as delays by its contractual counterparties, as a result of extending the BQDM Program; and (iii) the extent to which an extension of the BQDM Program may allow the Company to defer from 2019 to 2021 a 60 MW load transfer and related infrastructure upgrades known as the Glendale Project, and whether the Glendale Project infrastructure upgrades have the potential to be deferred (or entirely offset) beyond 2021.

The City submits that the Company should provide more transparency and analyses regarding the benefits mentioned above, as well as the cost-effectiveness of NWAs versus traditional infrastructure investments. The City has concerns related to the duration of time that such non-traditional solutions will be in service and defer traditional infrastructure. The net effect of spending the full \$200 million BQDM Program budget, and also having to perform expensive traditional infrastructure upgrades at Brownsville because non-traditional solutions are only in service and effective for a couple of years, would be cost prohibitive to customers. The City urges the Company to take measures in its BQDM Program planning and implementation to ensure that this does not occur.

If the actual results of the BQDM Program are consistent with the expectations and forecasts contained in the Petition, it appears that the extension of the Program will have merit and address the current need in Brownsville. Whether it will ameliorate future needs is less clear, as the Company provided no details regarding its revised peak load projection; thus, it is not possible to evaluate whether the BQDM Program would produce enough relief to cover the forecasted demand. Further, it is unclear from the Company’s Petition the extent to which a need exists at Brownsville today, or in the future, to continue to implement new customer-side and non-traditional utility-side solutions to defer major infrastructure upgrades given the expected “reliability cushion” identified in the Petition. The Company’s requested relief in its Petition appears to be at odds with the expected results of the Program’s implementation thus far.

Another concern that the City has with the Petition relates to costs. The BQDM Program costs to date have been well below the Company's initial estimates, raising questions about the reasonableness of those estimates. For example, of the \$200 million authorized, only \$42.8 million has been actually spent.¹ Further analysis and details regarding the Company's ability to extend the infrastructure need date, and regarding the cost-effectiveness of additional non-traditional measures (as compared to traditional infrastructure investments) should be provided. Indeed, it is possible that given that the BQDM Program has been active since 2014, additional customer-sided measures could be more expensive, as the less costly and proverbial "low-hanging fruit" has already been targeted. Again, because the Company provided no analysis to support its Petition, it remains unknown whether additional customer-sided measures are in fact less expensive than traditional infrastructure investments. Additionally, it is unknown whether the Company's initial customer-sided measures are still in operation and/or how many years such measures are expected to remain in place and continue.

Lastly, while this issue was not raised in the Company's Petition, the City has concerns with the potential for providing the Company with double incentives for the work being performed under the BQDM Program. In its December 12, 2014 *Order Establishing Brooklyn/Queens Demand Management Program*, the Commission provided additional earnings opportunities for the Company based on certain categories of program implementation.² In the Commission's January 25, 2017 *Order Approving Electric and Gas Rate Plans* a framework was established that set baselines for receiving shareholder incentives which also took into consideration the work that was done to date under the BQDM Program, not considering that this work would continue as set forth in the Company's Petition.³ The City has not been opposed to rewarding Con Edison for its efforts under the BQDM Program. However, the City does not support providing shareholders with double incentives for the same activity.

Based on the foregoing, while the City is supportive of extending the BQDM Program, the City respectfully requests that the Company be required to provide more detail and analyses to support its request, which will aid in future transparency. Additionally, more clarity is needed to determine the extent to which an extension of the BQDM Program may result in inappropriate shareholder incentives.

¹ Case 14-E-0302, Consolidated Edison Company of New York, Inc. – Brooklyn/Queens Demand Management Program, BQDM Quarterly Expenditures & Program Report, Q4-2016 (February 28, 2017).

² Case 14-E-0302, *supra*, Order Establishing Brooklyn/Queens Demand Management Program (December 12, 2014), Appendix B, pp. 2-4.

³ Case 16-E-0060, Consolidated Edison Company of New York, Inc. – Electric Rates, Joint Proposal (January , 2017), pp. 71-82.

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Thank you for your consideration of the City's position in this matter.

Sincerely,

COUCH WHITE, LLP

Amanda De Vito Trinsey

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cc: Active Parties (via email)