

BEFORE THE  
STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

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In the Matter of  
Orange and Rockland Utilities, Inc.

Cases 18-E-0067 and 18-G-0068

June 2018

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Prepared Rebuttal Testimony of:

Staff Earnings Adjustment  
Mechanisms Panel

Robert A. Cully  
Utility Engineering Specialist 3

Lisa M. Rosi  
Utility Analyst 3  
Office of Markets and Innovation

Caitlyn Edmundson  
Associate Economist  
Office of Market and Regulatory  
Economics

Paul J. Darmetko, Jr.  
Utility Engineering Specialist 3

Jeffery Tengeler  
Assistant Engineer (Electrical)  
Office of Electric, Gas & Water

State of New York  
Department of Public Service  
Three Empire State Plaza  
Albany, New York 12223-1350

1 Q. Members of the Staff Earnings Adjustment  
2 Mechanisms Panel (Panel), please state your  
3 names, employer and business address.

4 A. Our names are Robert Cully, Lisa Rosi, Caitlyn  
5 Edmundson, Paul Darmetko, and Jeffrey Tengeler.  
6 We are employed by the New York State Department  
7 of Public Service (Department). Our business  
8 address is Three Empire State Plaza, Albany, New  
9 York 12223.

10 Q. Has the Panel previously sponsored testimony in  
11 these proceedings?

12 Q. Yes. We offered pre-filed direct testimony,  
13 submitted on May 25, 2018. Our pre-filed direct  
14 testimony addressed Orange and Rockland  
15 Utilities, Inc.'s (O&R or the Company) proposals  
16 related to earnings adjustment mechanisms  
17 (EAMs), scorecards and Platform Service Revenues  
18 (PSRs).

19 Q. What is the purpose of the Panel's rebuttal  
20 testimony?

21 A. The purpose of our testimony is to address the  
22 direct testimony of Mr. Robert Wyman regarding:  
23 (1) the megawatt-hour (MWh) Reduction EAM  
24 metric; (2) Mr. Wyman's proposed Gas Managed

1           Decapitalization EAM metric; and (3) Mr. Wyman's  
2           proposed Electric Resistance Removal EAM metric.

3   Q.   Is the Panel sponsoring Exhibits as part of this  
4           testimony?

5   A.   No.

6   MWh Reduction Metric

7   Q.   Please provide a summary of Mr. Wyman's  
8           testimony regarding the MWh Reduction EAM  
9           metric.

10  A.   On page 19 of his testimony, Mr. Wyman  
11           accurately describes the Company's MWh Reduction  
12           metric proposal as "a program-based metric . . .  
13           based on achievement of energy savings (MWh)  
14           from the Company's EE programs." Mr. Wyman  
15           notes that the MWh Reduction metric is limited  
16           in scope to only measure reductions in use of  
17           electricity. Thereafter, Mr. Wyman goes on to  
18           assert, incorrectly, that "the MWh Reduction  
19           Metric could tend to discourage the adoption or  
20           encouragement of measures that would increase  
21           energy efficiency," and that "[an] increase in  
22           efficiency and electricity consumption would  
23           decrease the value of the proposed MWh Reduction  
24           metric." Mr. Wyman also claims that the

1           "adoption of [any Beneficial Electrification  
2           measures, such as electric vehicles (EVs),  
3           ground-source heat pumps (GSHPs), and air-source  
4           heat pumps (ASHPs)] would push the MWh Reduction  
5           metric in the 'wrong' direction," which we  
6           understand to mean a reduction in the Company's  
7           ability to earn an EAM based on measurement of  
8           this metric. Mr. Wyman then proposes a method  
9           to improve his perceived shortcomings of the  
10          Company's proposed MWh Reduction metric.

11 Q.    What is incorrect about Mr. Wyman's testimony  
12          regarding the MWh Reduction metric?

13 A.    Mr. Wyman's testimony demonstrates a fundamental  
14          misunderstanding of the Company's proposed MWh  
15          Reduction metric, which we supported in our  
16          direct testimony.

17 Q.    Please explain Mr. Wyman misunderstanding of the  
18          MWh Reduction metric.

19 A.    On page 21, lines 13 through 16 of his direct  
20          testimony, Mr. Wyman stated that the MWh  
21          Reduction metric, as proposed by the Company and  
22          supported in our direct testimony, measures "all  
23          changes to the quantity of electricity  
24          consumed;" however, the MWh Reduction metric

1           actually measures a count-up of MWh of  
2           electricity reduced though the Company's  
3           electric energy efficiency program.

4   Q.   Does Mr. Wyman's direct testimony include any  
5           other inaccurate claims?

6   A.   Yes.  Mr. Wyman's assertion that such a metric  
7           would provide a perverse incentive for the  
8           Company to discourage heat pump, EV, and other  
9           environmentally beneficial electrification  
10          technologies has no merit.

11  Q.   How would an increase in penetration of  
12          environmentally beneficial electrification  
13          interact with the MWh Reduction metric as  
14          proposed by O&R?

15  A.   At worst, increased environmentally beneficial  
16          electrification technology penetration would  
17          have no impact on the Company's ability to  
18          achieve the targets for the MWh Reduction  
19          metric; however, we expect that increased  
20          penetration of environmentally beneficial  
21          electrification technologies will have a  
22          positive impact on the Company's ability to  
23          achieve the MWh Reduction and MMBTU Reduction  
24          metrics, especially through the use of heat

1 pumps.

2 Q. How, specifically, would O&R have a positive  
3 incentive to increase heat pump penetration  
4 under the proposed MWh Reduction and MMBTU  
5 Reduction metrics?

6 A. Since the Company already offers ASHPs within  
7 its existing electric energy efficiency program  
8 portfolio, due to their greater electric cooling  
9 efficiency as compared to traditional air  
10 conditioning, increased penetration of ASHPs  
11 through the energy efficiency program would  
12 provide a direct positive incentive based on the  
13 Company's current energy efficiency program  
14 offerings. In the event that the Company was to  
15 offer other types of environmentally beneficial  
16 electrification technologies as part of its  
17 energy efficiency programs, either for the  
18 electric or gas business, the Company will have  
19 a positive incentive to increase penetration of  
20 these technologies as part of the electric MWh  
21 Reduction metric, or the gas MMBTU Reduction  
22 metric that we recommend in our direct  
23 testimony. GSHPs, in particular, represent a  
24 significant opportunity for expansion since

1           those systems are even more efficient than ASHPs  
2           at reducing summer cooling usage, and could  
3           result in significant gas usage savings to the  
4           extent that existing gas customers may choose to  
5           meet their winter heating needs through a GSHP  
6           system instead of a gas-burning furnace or  
7           boiler.

8           Gas Managed Decapitalization EAM

- 9           Q.    Please provide an overview of Mr. Wyman's  
10           testimony related to his proposed Gas Managed  
11           Decapitalization EAM metric.
- 12          A.    Mr. Wyman recommends that O&R, and each gas  
13           utility in the State, be required to have a  
14           Managed Decapitalization program, and should  
15           earn a related EAM based on the reduction in  
16           number of gas customers, the number of miles of  
17           gas mains in service and the quantity of gas  
18           sold. Mr. Wyman suggested a number of measures  
19           that a utility could pursue as part of the  
20           Managed Decapitalization program, including: (1)  
21           ending the addition of new gas customers; (2)  
22           ending programs that provide incentives to  
23           customers to install new gas-burning equipment;  
24           (3) accelerating depreciation of gas business

1 assets; (4) adjusting salvage values used in  
2 determining depreciation expense; and (5)  
3 implementing programs to accelerate the  
4 conversion of gas customers to electric using  
5 environmentally beneficial electrification  
6 technologies.

7 Q. Does the Panel agree that O&R should be able to  
8 earn an EAM based on Managed Decapitalization?

9 A. No, we do not. Managed Decapitalization does  
10 not fit into the categories of EAMs approved by  
11 the Commission in its May 19, 2016 Order  
12 Adopting a Ratemaking and Utility Revenue Model  
13 Policy Framework in Case 14-M-0101 (Track Two  
14 Order); therefore, we do not recommend that this  
15 proposal be implemented.

16 Q. Has the Commission previously approved a gas  
17 business-related EAM for any other utilities?

18 A. Yes. The Commission has approved EAMs related  
19 to performance of gas energy efficiency programs  
20 for both Niagara Mohawk Power Corporation d/b/a  
21 National Grid and Central Hudson Gas & Electric  
22 Corporation on March 15, 2018 in Case 17-E-0238  
23 and on June 14, 2018 in Case 17-E-0459,  
24 respectively. The EAM approved in each of these



1 cases is the same MMBTU Reduction metric  
2 recommended in our direct testimony in these  
3 proceedings.

4 Q. Why does the Panel disagree with Mr. Wyman's  
5 proposed Managed Decapitalization EAM?

6 A. Mr. Wyman's proposed Managed Decapitalization  
7 EAM is based on a reduction in the total number  
8 of gas customers, number of miles of gas mains  
9 in service and quantity of gas sold. The  
10 Company will be provided with adequate  
11 incentives to reduce gas usage and carbon  
12 emissions through other metrics proposed by  
13 Staff, the Company and Mr. Wyman.

14 Q. What other EAMs proposed by Staff, the Company  
15 or Mr. Wyman would provide the Company with an  
16 incentive to reduce gas usage and carbon  
17 emissions?

18 A. The Environmentally Beneficial Electrification  
19 EAM, proposed by Mr. Wyman and recommended in  
20 our direct testimony, measures carbon reductions  
21 and penetration of beneficial electrification  
22 technologies directly, and therefore should be  
23 implemented in lieu of Mr. Wyman's proposed  
24 Managed Decapitalization EAM. In addition, as

1           previously discussed, the MMBTU Reduction metric  
2           would also provide the Company with an incentive  
3           to reduce gas usage through energy efficiency  
4           measures.

5   Electric Resistance Heating Removal EAMs

6   Q.    Please give an overview of Mr. Wyman's proposed  
7           Electric Resistive Heating Removal EAM.

8   A.    On page 54 of his direct testimony, Mr. Wyman  
9           recommends that each utility implement a program  
10          to reduce electric resistance heating, and that  
11          utilities should be able to earn an EAM based on  
12          such program's performance. Mr. Wyman further  
13          recommends that the EAM metric be based on the  
14          reduction in the number of customers who use  
15          electric resistance heating or on a reduction in  
16          the kilowatt-hours of electricity consumed by  
17          electric resistance systems.

18   Q.    Do you agree with Mr. Wyman's proposed Electric  
19          Resistance Heating Removal EAM?

20   A.    No, we do not. The proposed Electric Resistance  
21          Heating Removal EAM would indirectly encourage  
22          heat pump adoption, an action that would be more  
23          directly stimulated through the Environmentally  
24          Beneficial Electrification EAM proposed by Mr.

1 Wyman and recommended in our direct testimony.  
2 Given that the Electric Resistance Heating  
3 Removal EAM would indirectly achieve the same  
4 result that can be directly achieved by the  
5 Environmentally Beneficial Electrification EAM,  
6 we support the latter as a more appropriate EAM  
7 metric.

8 Q. Does this conclude the Panel's testimony at this  
9 time?

10 A. Yes.

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