BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of

Consolidated Edison Company of New York, Inc.

Case 09-E-0428

August 2009

Prepared Testimony of:

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Q. Please state your name, employer, and business address.
A. Nicola Jones, I am employed by the New York State Department of Public Service (Department). My business address is 90 Church Street, New York, New York 10007.
Q. Mrs. Jones, what is your position at the Department?
A. I am a Utility Engineer 2 assigned to the Electric Distribution Systems Section in the Office of Electric, Gas, and Water.
Q. Please describe your educational background and professional experience.
A. I graduated from Rensselaer Polytechnic Institute with a Bachelor of Science Degree in Civil Engineering and a Bachelor of Science Degree in Management in 2003. I joined the Department in 2005. My responsibilities at the Department include: monitoring electric utility safety and reliability; ensuring that utilities are adequately prepared to respond to emergencies by reviewing utilities' electric emergency plans and attending annual emergency drills; investigating the causes and response

level of utilities after emergency events; monitoring electric distribution projects; and monitoring utility compliance with electrical codes and with the Public Service Commission's (Commission) electric service and safety standards.

Q. Mrs. Jones, have you previously testified before the Commission?

A. Yes. I testified in Case 07-E-0523 regarding Consolidated Edison Company of New York, Inc.'s (Con Edison or the Company) infrastructure investment and the reliability performance mechanism. I also testified in Case 08-E-0539, regarding research and development, infrastructure investment, and reliability performance mechanism.

Q. What is the purpose of your testimony in this proceeding?

A. To address the reliability performance mechanism (RPM) presented in the pre-filed testimony of Con Edison's Infrastructure Investment Panel.

Q. In your testimony, will you refer to, or otherwise rely upon, any information produced during the discovery phase of this proceeding?

A. Yes, I will refer to, and have relied upon, several responses to Department of Public Service Staff (Staff) Information Requests (IR). These responses are included in Exhibit ___ (NJ-1).

Q. Have you prepared an exhibit that summarizes your proposed RPM?

A. Yes. Exhibit ___ (NJ-2) is a document entitled "Electric Service Reliability Performance Mechanism" which states my recommendations for the proposed metrics, target levels, and potential negative revenue adjustments for failure to meet the targets.

Q. How is the RPM organized?

A. The RPM consists of four categories: system-wide reliability; Remote Monitoring System; restoration; and, special projects. The system-wide reliability category consist of a: radial System Average Interruption Frequency Index (SAIFI), radial Customer Average Interruption Duration Index (CAIDI), network outage frequency target, network outage duration target, summer network feeder open-automatic (feeder open-auto), and a major outage metric. The special

projects category includes repairs to damaged poles, removal of temporary shunts, repairs of "no current" street lights and traffic signals, and replacement of over duty circuit breakers. Each measure is used to monitor the Company's performance and is described further in this testimony.

Q. When would this RPM go into effect?

A. The RPM should go into effect on January 1, 2010 and remain in effect until reset by the Commission.

Q. Why have you proposed a January 1, 2010 effective date?

A. All electric utility RPMs currently in place under the Commission’s jurisdiction are on a calendar year basis. Having the RPM go into effect at the beginning of the year is a logical approach because the majority of the components of the RPM are measured and monitored on a calendar year basis. In the 2008 and 2009 Rate Orders, the Commission has directed that the RPMs established in those Orders become effective at the beginning of the calendar year.

Q. Do you recommend any change to the maximum revenue adjustment under the RPM?

A. No. I recommend a continuation of the $112 million revenue adjustment for the entire RPM.

Q. What is the Company's position on the RPM?

A. Con Edison states there is no need for an RPM. It is the Company's belief that its reliability will not be affected with the removal of the RPM. Con Edison further states its SAIFI is better than the industry average and the best in New York State.

Q. Do you support Con Edison's position regarding the RPM?

A. No. The reliability performance mechanism is needed and should continue. In Opinion No. 95-7, Opinion and Order Adopting Principles to Guide the Transition to Competition (issued June 7, 1995) Appendix C, page 1, Principal 6, the Commission indicated its preference for performance-based regulation wherever a monopoly remains. So long as the Company's delivery service remains a monopoly, there needs to be clearly defined consequences for failing to provide good customer service. The RPM provides

earnings consequences to the Company, and consequently, its shareholders, for the quality of service provided to customers. Such potential revenue consequences are separate and unrelated to the funds used to address system needs. Presently, RPMs that link earnings directly to a utility's performance on specific measures of electric service reliability are in effect for all of the major electric utilities in New York State. Furthermore, the Company's performance has clearly improved since the institution of the RPM. This is particularly evident in the special projects section of the RPM. Prior to the institution of the measures addressing areas such as "no-light streetlights", the Company failed to make the necessary repairs in a timely manner.

Q. Did Con Edison propose any changes to the RPM?

A. Yes. Even though the Company advocates against the RPM, given the Commission's consistent and clear preference for an RPM, Con Edison has recommended the continuation of the current RPM with certain modifications.

Q. What did the Company propose?

A. Con Edison proposed a change to the radial CAIDI and to the major outage metric found under the system-wide reliability category of the RPM.

Q. Please explain the Company's proposal for radial CAIDI.

A. The Company recommends a new target of 2.15 for radial CAIDI based on its radial CAIDI ten year historical performance average. It states that the current interruption duration target of 1.85 for the radial system is lower than its ten year radial CAIDI average for the period of 1999 to 2008. Therefore, the radial CAIDI target should be increased.

Q. How did Con Edison derive its recommended 2.15 target for radial CAIDI?

A. The Company determined the average of its 1999 to 2008 radial CAIDI performance and then increased the average by 10% to arrive at the proposed target.

Q. What reason does Con Edison provide to support this calculation?

A. The Company claims that ten years is a reasonable period for establishing service levels. The use of 10% above that ten year

average provides more leeway than a simple average, which might result in Con Edison performing below the average in half of the years. Also, it claims that increasing the average by 10% is similar to Staff's approach proposed in its testimony in Case 08-E-0539. The use of 10% to derive thresholds was approved by the Commission in Case 08-E-0539.

Q. Please comment on the Company's proposal regarding the use of recent historical data to derive the 2.15 radial CAIDI target?

A. When setting performance thresholds, the Commission should continue to examine the target value to ensure that it reflects recent historical data. However, if a company's performance has deteriorated, the targets should not be softened to reflect that poor historical performance. To do so would defeat the purpose of the RPM. But, if a company can demonstrate that the change is not based on deterioration in service quality, an increased target is reasonable.

Q. Have you reviewed the Company's historical CAIDI performance to determine if the recent increase

in CAIDI performance is not due to deterioration in its performance?

A. Yes. Exhibit __ (NJ-3) includes information regarding Con Edison's past CAIDI performance. The first two pages of Exhibit __ (NJ-3) show the CAIDI performance of all major utilities in New York State. It appears that for the past five years, with the exception of 2006, Con Edison's CAIDI performance is in line with other utilities' CAIDI performance. Exhibit __ (NJ-3), page 3 and 4, also include graphs of Con Edison's past 10 years of radial CAIDI performance. The Company's performance appears to have a cyclical pattern. These observations support the idea that Con Edison's increased CAIDI might not be due to a specific decline in its service but due to the natural variability in its performance.

Q. What radial target do you propose for CAIDI?

A. I propose a CAIDI target of 1.97 for the radial system.

Q. Why is a radial CAIDI target of 1.97 more reasonable than the 2.15 proposed by the Company

or more reasonable than the existing target of 1.85?

A. The 1.97 target is derived in the same manner as Con Edison's 2.15 target, except it excludes two of the ten performance years that are extreme outliers. These outliers are the 1999 and 2006 performance years. In 1999 and 2006, Con Edison's radial CAIDI performance increased far beyond historical values. The combination of high electrical loads over a prolonged heat wave initiated many problems on Con Edison's electrical facilities that were beyond the norm. Therefore, those years should not be used by the Commission to calculate the radial CAIDI target.

Q. Please continue.

A. Increasing the threshold from 1.85 to 1.97 is more reasonable since the 1.85 threshold previously set did not fully capture the sinusoidal radial CAIDI performance of the Company over a ten year period.

Q. What is the potential revenue adjustment proposed for radial CAIDI?

A. I propose $5 million, which is the currently effective potential revenue adjustment exposure for this target.

Q. Do you propose a change to the radial SAIFI target?

A. Yes. I propose a SAIFI target of 0.470 for the radial system. This target is a reduction from the 0.530 target currently in effective.

Q. Why do you recommend a change to the SAIFI radial target?

A. The change is recommended to provide consistency between how radial CAIDI and SAIFI targets are calculated. The 0.470 target was determined by taking an average of the last ten years performance, excluding two outliers in 2005 and 2006, and increasing this average by 10%. In June 2005, Con Edison’s radial system experienced three outages in its Staten Island operating area affecting approximately 30,000 customers for an average duration of seven hours. These outages were caused by one transformer and multiple consecutive feeder failures. The 2006 performance was excluded for the same reasons discussed under my proposed

change to radial CAIDI. The combination of high electrical loads over a prolonged heat wave initiated many problems on Con Edison's electrical facilities that were beyond the norm and significantly increased its SAIFI performance. Therefore, these years should not be used to calculate a radial SAIFI target.

Q. Please continue.

A. My proposed target of 0.470 is more reasonable than the existing target of 0.530 because as with radial CAIDI, the current threshold set for radial SAIFI did not fully capture Con Edison's sinusoidal performance over a ten year period.

Q. What is your proposed potential revenue adjustment exposure for radial SAIFI?

A. The potential revenue adjustment for radial SAIFI is $5 million, which is the same potential revenue adjustment currently in effect for this target.

Q. What does Con Edison propose regarding the current major outage metric?

A. The Company proposes two changes. It recommends the removal of the 10% threshold for network outages affecting less than 2,500 customers, and

a stepped revenue adjustment based on the outage duration and percentage of customers affected.

Q. Please elaborate on Con Edison's justification for its proposal to remove the 10% threshold for network outages affecting fewer than 2,500 customers under the major outage metric.

A. The Company proposes that all networks still be exposed to a revenue adjustment under the major outage metric during a complete network shutdown. Con Edison claims that the current metric does not recognize the broad variation in the number of customers in each network and that it could have a $10 million adjustment for an outage affecting as few as 60 customers. Con Edison further states that from 1998 to 2007 there were eight outages that would fit the current definition of a network major outage, which would have resulted in $80 million in revenue adjustments. The Company states that revenue adjustments for these small outages would create an erroneous perception that its reliability is worse than its actual level.

Q. Please explain Con Edison's second proposed modification to the major outage metric.

A. The Company proposes a revenue adjustment of $2 million to $10 million based on the outage duration (three hours to greater than 24 hours) and the percentage of customers affected (greater than 10% to 100%).

Q. What is Con Edison's basis for recommending such a revenue adjustment structure?

A. The Company claims that this proposal allows outages similar in duration and magnitude to the Washington Heights network outage in 1999 and the Long Island City network outage in 2006 to result in a $10 million adjustment, while reducing the Company's financial exposure for outages affecting fewer customers for a shorter time period. In addition, the Company argues that a larger revenue adjustment for longer outages would encourage the Company to quickly restore service.

Q. What is your position regarding the Company's proposal to remove the 10% threshold for network outages affecting fewer than 2,500 customers under the major outage metric?

A. I do not agree with Con Edison's recommendation to exclude network outages affecting fewer than

2,500 customers. For 27 of the 61 total networks, this change would increase the percentage of customers required to be out of service in order for the event to qualify as a major outage. An example is the Times Square network where over 98% of the network would need to be out of service to qualify as a major outage. In addition, with Con Edison's proposed change, of the 27 networks affected, seven networks would not meet the major outage metric unless 100% of the customers are out of service. This 100% requirement would apply to the network serving the Financial District in New York City that impacts the world's financial market. The 27 networks serve many critical large commercial buildings and should not be treated differently from Con Edison's remaining networks.

Q. Please continue.

A. Furthermore, Con Edison's claim that it would have paid $40 million over the past ten years for very small outages, ignores a key component of the major outage metric, which permits Con Edison to petition the Commission for exclusions of outages from the metric, on a case-by-case

basis, for outages affecting more than one building that are, nevertheless, small in scale and do not warrant classification as a major outage.

Q. What is your position regarding the Company's revised revenue adjustment structure?

A. I do support the idea of setting the revenue adjustment for a major outage based on outage duration.

Q. Please explain your proposed modification to the major outage mechanism.

A. The major outage mechanism contains both a radial and network major outage. I would maintain the radial major outage definition as one event that results in the interruption of service to 70,000 customers, or more, for three hours or more. I propose that a network major outage be revised as the interruption of service to at least 15% of customers in any network for a period of three hours or more. This is a change from the current definition of a network major outage that requires at least 10% of network customers to be out of service.

Q. Why is your threshold for a major outage more reasonable than the one recommended by Con Edison or the existing threshold?

A. The major outage mechanism captures outages on a large scale that affect the radial and network system. This mechanism provides accountability for large scale outages that are fully under the control of the Company.

Q. Please continue.

A. Con Edison stated in its testimony that historically there were eight outages that would have fit the current definition of a network major outage from 1998 to 2007, some of which are relatively small. In Exhibit __ (NJ-1), DPS-8, Con Edison provided details regarding the eight outages. For each outage, I determined the percentage of customers impacted per network. This illustrated that four of the eight outages affected fewer than 15% of the total network customers. Also, the reason for each outage was reviewed and found to be similar to outages currently captured by the network outage, network duration and the feeder open-auto metrics. Therefore, I recommend an

increase to the threshold for a network major outage from 10% to 15% of network customers. This allows for smaller outages to be properly captured by the network outage, network duration and the feeder open-auto metrics instead of by the major outage metric, which is a concern expressed by Con Edison. It provides a uniform application to all networks, captures large scale historical outages, and takes into account large commercial buildings in smaller networks where an outage of 15% can have a significant effect. In addition, Con Edison's recommendation to have the network major outage metric apply to outages affecting 2,500 customers or more would inadvertently provide an incentive for the Company to create networks with less than 2,500 customers to avoid outages from being captured under the major outage metric unless all customers are out of service. Setting the threshold at 15% of network customers eliminates this incentive.

Q. What revenue adjustment do you recommend for the major outage mechanism?

A. I recommend the continuation of the current maximum revenue adjustment of $30 million per calendar year. My proposal also maintains the current $10 million adjustment for each radial major outage. A network major outage would have a new revenue adjustment structure. It includes the gradual increase in revenue adjustment based on the outage duration. The revenue adjustment would be $5 million, $10 million or $15 million per event. These revenue adjustments would be for outage durations of 3 to 6 hours, greater than 6 to 12 hours and greater than 12 hours, respectively.

Q. Why is your recommended revenue adjustment more reasonable than that proposed by Con Edison or the existing mechanism?

A. My recommendation has a more simplified approach to determining the associated revenue adjustment than the one proposed by the Company. It addresses Con Edison’s recommendation to utilize a metric that provides the Company an incentive to restore service to customers faster. It increases the amount of revenue adjustment for an extreme outage beyond $10 million while

decreasing the financial exposure for a smaller outage (but not less than the current revenue adjustment level for the network outage duration metric). In addition, it promotes the use of mechanisms that can minimize widespread system failures and maintains the $30 million cap for major outages.

Q. Has Con Edison made any additional recommendations regarding the remaining components of the RPM?

A. Con Edison proposed the continuation of the remaining metrics as set in the 2009 Rate Order.

Q. What is your position regarding the remaining components of the RPM?

A. I recommend a continuation of the remaining metrics as set in the 2009 Rate Order.

Q. Why do you propose the extension of the temporary targets used to replace network SAIFI and CAIDI?

A. Determining a network SAIFI and CAIDI target requires the collection of additional data over multiple years. It would be inappropriate to gauge Con Edison’s performance on the incomplete data currently available. If there are reasons

for modifying network SAIFI and CAIDI, a full understanding of the reasons and causes for these changes is necessary before accepting a specific target. Until then, I recommend the continuation of network outage duration, network outage frequency, and feeder open-auto temporary targets.

Q. Please continue.

A. Network outage duration, network outage frequency and feeder open-auto are values that are measurable, are items that have been tracked by both the Commission and the Company over an extended period of time, are not known to be impacted by the new Outage Management System, provide an indication of the performance and health of the electric system and could have an impact on customers.

Q. What performance thresholds do you propose for these temporary targets?

A. I recommend a continuation of the targets set by the Commission in the 2009 Rate Order. The targets include a network outage duration rate of 4.90 hours, an annual network outage rate of

2.50 events per 1,000 customers, and a target of 510 feeder open-autos per year.

Q. Why are the performance thresholds set in the 2009 Rate Order for these temporary targets still reasonable?

A. These targets were based on historical data as recent as 2007. A sufficient number of years have not past since the institution of these metrics to serve as reference points for determining if these targets require any adjustment.

Q. What is the potential revenue adjustment exposure for these temporary targets?

A. Under these temporary targets, there is a potential revenue adjustment of $5 million for network outage duration, $4 million for network outage frequency and $1 million for feeder open-auto.

Q. Why do you propose the continuation of the Remote Monitoring System mechanism?

A. The Remote Monitoring System enables the operators in Con Edison’s control room to gain sufficient information about the status of the network system. The network system is very

complex and underground, which makes it difficult to monitor. Therefore, it is critical that the Company meet this standard to gain optimal knowledge of its system status for better operation.

Q. What is the potential revenue adjustment exposure for the Remote Monitoring System mechanism?

A. For the last month of each quarter, there is a potential revenue adjustment of $10 million for each network not meeting a 90% reporting rate, with an annual cap of $50 million. This is the potential revenue adjustment exposure approved by the Commission in the 2009 Rate Order.

Q. What is the restoration mechanism?

A. This mechanism uses restoration time as the means to measure the Company’s performance. Thresholds are set for the Company’s overhead emergency events for Upgraded to Full Scale emergency categories.

Q. What is the reason for or purpose of this mechanism?

A. Throughout Con Edison’s history, there have been instances where restorations times were not

determined in adequate time, not provided to customers and not adhered to by Con Edison. This standard focuses on improving these actions.

Q. What is the potential revenue adjustment for the restoration mechanism?

A. At this time, I propose that this metric continue on a trial basis with no negative revenue adjustment for failure to meet the standard as set in the 2009 Rate Order. This should remain until further data is collected to determine the mechanism's usefulness and applicability to Con Edison's restoration efforts.

Q. What measures are used in the special projects category?

A. The current set of special projects contains measures for completion of work associated with double poles, shunts, street lights, and over-duty breakers.

Q. Why do you recommend that the current special projects remain as part of the RPM measures?

A. These special projects are areas where the Company previously failed to complete work under

its own initiative. The use of a revenue adjustment for failure to complete such work in the future continues to ensure that the Company completes these projects or faces potential revenue adjustments.

Q. What is your proposed potential revenue adjustment for the special projects metric and how does this compare to the current reliability mechanism?

A. Presently, the special projects metric has a total potential revenue adjustment of $12 million. The RPM I propose would continue at the same revenue adjustment level.

Q. Do you propose to continue the exclusion provisions of the RPM adopted in Opinion No. 00-14?

A. Yes. The exclusion provisions identified in Appendix E of Opinion No. 00-14 should continue without change.

Q. Does your proposal have any positive revenue adjustments?

A. No. The purpose of the RPM is to ensure that an appropriate level of reliability is provided to

customers and that the Company fulfills its commitment to capital improvements and O&M.

Q. Does this conclude your testimony at this time?

A. Yes.