

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of

Case 16-E-0060

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

Electric Rates

October 13, 2016

Testimony of Ronald G. Lukas

Submitted by:

BBPC, LLC d/b/a Great Eastern Energy



Before the Public Service Commission

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Testimony

of

Ronald G. Lukas

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1 **Q. Please state your name, by whom you are employed and in what capacity.**

2 A. Ronald G. Lukas. I am an independent consultant. I am currently engaged by
3 BBPC, LLC d/b/a Great Eastern Energy (GEE) as Chief Consultant to the CEO.
4 GEE is a mid-size regional ESCO serving over 30,000 electric and gas customers
5 in New York, New Jersey and New England.

6 **Q. Please briefly describe your educational background and professional**
7 **experience.**

8 A. I graduated from the City College of New York with a Bachelor's degree in
9 Chemical Engineering in 1970. I have over 45 years of experience in the energy
10 and utility industry. Upon graduation I started my career with the New York
11 Public Service Commission (PSC) and was employed there until 1977. At the PSC
12 I was engaged in a wide range of ratemaking activities. After a brief stay at
13 American Electric Power, I joined Brooklyn Union Gas in 1978, which eventually
14 became part of KeySpan Energy, Inc. (KeySpan). I retired from KeySpan in 2007.
15 During my tenure at KeySpan I was involved in a wide range of matters, including
16 executive responsibility in both the regulated and unregulated divisions of the
17 business. On the regulated side, these responsibilities included Regulatory
18 Strategy and Relations and Supply Procurement and Planning for KeySpan's gas
19 LDCs. In this capacity, I testified before the PSC numerous times on rate and

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1 supply matters including embedded and marginal cost of service studies, gas
2 procurement and rate design. On the unregulated side, I was responsible for the
3 Company's Electric Wholesale Trading business and the electric and gas Retail
4 Commodity businesses. Upon leaving KeySpan, I formed R LUKAS
5 CONSULTING, LLC and have continued to work on numerous gas supply and
6 regulatory matters for ESCOs and electric and gas project developers.

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

8 A. I will address the changes to the Reliability Credit Measurement Period which
9 was adopted in The Consolidated Electric Company of New York, Inc. Joint
10 Proposal (JP) in Case No. 16- E – 0060, filed on September 19, 2016. The
11 proposed change will have a negative impact on RiverBay Corporation's
12 (RiverBay) ability to earn Reliability Credits under Con Edison's Standby Service.
13 RiverBay is one of GEE's largest customers. The proposed changes to the
14 Reliability Credit Measurement Period reflect the testimony of the Staff Rate
15 Design Panel (Panel).

16 The Panel's objective was to apply the general language and guidance for setting
17 Reliability Credits as set forth in the Order Adopting a Ratemaking and Utility
18 Revenue Model Policy Framework, issued May 19, 2016, in Case 14 14-M-0101
19 (Track Two Order) . The Panel is the only party that filed testimony relating to

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1 the changes in the Measurement Period and, therefore, their logic is the only
2 documented justification for the changes. My testimony will discuss the
3 deficiencies in the application of the general language in the Track Two Order
4 from a rate design perspective. Witness Ahrens will explain the system benefits
5 RiverBay provides as well as why, from an operational perspective, the revised
6 Measurement Hours will inhibit RiverBay's ability to earn Reliability Credits.

7 **Q. Please provide a general description of RiverBay.**

8 A. RiverBay, commonly known as "Co-op City", is a New York City Mitchell-
9 Lama cooperative located in the Northeast Bronx. With 15,372 apartments in 35
10 high-rise buildings and 7 townhouse clusters, Co-op City has approximately
11 60,000 residents. RiverBay operates a cogeneration plant that serves the
12 development's electric load as well as the heating and cooling needs of the
13 complex. Witness Ahrens will describe the design and operation of the plant and
14 the local laws it is subject to. In my testimony, I will refer to it as a "steam load
15 driven" customer.

16 **Q. What is the general language of the Track Two Order you are referring to**
17 **as it regards Standby Service and Reliability Credits?**

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1 A. Page 166 of the Track Two Order states that utilities will establish Reliability
2 Credits for standby customers whose actual demand consistently falls below their
3 contract demand.

4 **Q. Do you agree with the new “general” criterion?**

5 A. Yes, the new criterion represents sound ratemaking practices and incents
6 customer based on their behavior. Currently, Reliability Credits for Standby Rates
7 are based solely on the output of an on-site generator, and do not provide any
8 credit for other actions customers may take to consistently reduce their peak
9 demand. As explained below, GEE objects primarily to the fact that the new
10 Measurement Period was proposed without any studies that take into account
11 generally accepted ratemaking principles.

12 **Q. Please explain how the Measurement Period currently used in Con Ed’s**
13 **tariff to determine Reliability Credits for Standby Rates has been modified in**
14 **the JP?**

15 A. Under the current tariff, the Measurement Period is from Monday to Friday,
16 except holidays, from 10 AM to 10 PM from June 15 to September 15. As
17 proposed in the JP after Rate Year 1 the Measurement Period would be Monday to

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1 Friday, except holidays, from 8 AM to 10 PM from June 1 to September 30. This
2 is an extension of 15 days each for June and September.

3 **Q. What criterion did the Panel use to set the new Measurement Period**
4 **which was adapted in the JP?**

5 A. The Panel simply states that:

6 *“The definitions of peak hours and summer period would be set consistently with*
7 *the peak demand hours and summer period used for charging demand-metered*
8 *customers.”* I cannot find any other justification.

9 **Q. Do you concur with the Panel’s reasoning?**

10 A. In my opinion, simply applying the demand hours and summer period used for
11 charging demand-metered customers without any further study does not reflect the
12 principles of sound rate design and does a disservice to the intentions of the Track
13 2 Order. It may have been set that way for administrative ease or some superficial
14 sense of cost causation.

15 **Q. Please explain further.**

16 A. There are many principles that govern a sound rate design proposal. In fact,
17 Appendix A of the Track Two Order includes a fairly lengthy list of these
18 principles. While it may not be possible to entirely satisfy each and every one,
19 there are certain minimum standards that need to be met.

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1 **Q. Does the Track Two Order specify a method for computing Standby**
2 **Rates?**

3 A. No. Both the Track Two Order and the JP make it clear that Standby Rates
4 will change. It states that the cost allocation methodology for standby rates needs
5 to be refined. Pages 127 to 132 of the Track Two Order contain a fairly detailed
6 explanation of various factors that should be considered in the design of such rates.
7 It also requires the filing of a so called “standby matrix” to allocate the costs of
8 local facilities and shared facilities. In the JP, Con Ed states that it will be filing a
9 “standby matrix” by Oct 1 which obviously is after the JP was negotiated. The JP
10 even calls for a revenue neutral reconciliation of revenues in case Standby Rates
11 (and I presume associated Reliability Credits) are given a fresh look under
12 Reforming the Energy Vision (REV) principles.

13 **Q. Please expound upon some of the rate design principles you believe the JP**
14 **overlooks as it pertains to the proposed Measurement Period.**

15 A. One dominant principle is “cost causation” or the fact that rates and credits
16 should be related to the reason that the costs were incurred in the first place, or
17 why they will presumably be incurred in the future. The Track Two Order seeks to
18 align the way the Standby rates will be computed with this principle. Reliability
19 Credits and the Measurement Period need to be developed in conjunction with the

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1 new Standby Rates. They are intrinsically linked. The Panel does not provide any
2 load profile studies showing why the new extended Measurement Period has any
3 relationship to the benefits to the system that DG customers would provide. More
4 specifically, extending the period 15 days to September 30 raises the following
5 unanswered questions:

- 6 • Are there any incremental benefits to the system?
- 7 • Is the September 15th to 30th period a high load period? and
- 8 • Is a planned outage from September 15th to 30th the same as a forced outage
9 during a July heat wave?
- 10 • Have the “probabilistic” studies as they relate to “an unplanned coincident
11 peak” referred to in the Track Two Order been performed?

12 None of these studies or any of the cost studies called for on pages 127 to 132 of
13 the Track Two Order have been completed or were filed in order to justify the new
14 Measurement Period.

15 **Q. Do you believe the Panel has given due consideration to Customer Impact**
16 **as a criterion in setting the Measurement Period as it pertains to the**
17 **Reliability Credits?**

18 No. The Panel’s testimony is devoid of any discussion of impact on customers. It
19 does not explain who the existing customers are or even who the customers that
20 may be eligible for these credits in the future are. As explained in the testimony of

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1 Witness Ahrens, “steam driven” customers like RiverBay and, many others like
2 them, would be adversely impacted by the new rules. Typically, the Commission
3 requires bill impact studies to accompany rate design changes including the
4 number of bills increased, decreased, or remain the same. Also not mentioned or
5 even acknowledged, are any of the local laws that—as Witness Ahrens explains—
6 large residential complexes and other customers must comply with when operating
7 their systems.

8 **Q. What other deficiencies do you see with the revisions to the Measurement**
9 **Period for the Reliability Credits?**

10 A. They do not provide an incentive for customers to reduce demand during
11 higher-cost hours in that they treat all hours the same. As Witness Ahrens
12 explains, RiverBay’s system is designed for maximum reliability during the peak
13 summer months. Not providing incentives for steam driven load which provides
14 system benefits during peak hours and should be encouraged going forward,
15 violates a principle tenet of Reforming the Energy Vision (REV) that a variety of
16 DER resources and customer activities should be encouraged to produce desired
17 outcomes.

18 **Q. Have any customers been exempted from Standby Rates in the settlement?**

19 A. Yes. Battery Storage up to 1 MW of inverter capability and certain NOx
20 emissions standards were excluded from standby rates. This implies to me that

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1 certain customers were able to negotiate a "carve out" whereas the concerns of
2 others who may provide significant system benefits were not taken into account.
3 RiverBay's availability during Super Storm Sandy demonstrated the value and
4 resiliency provided by distributed generation.

5 RiverBay may have been the one customer that provided reliable service to the
6 greatest number of the city's residents during one of the worst reliability events in
7 recent memory, and the new Reliability Credit would reduce the value RiverBay
8 receives for that benefit.

9 **Q. Do you propose a rule specifically for RiverBay?**

10 A. No. I propose that the Measurement Period not be increased for all customers.
11 In the alternative, I propose that the Measurement Period be modified to recognize
12 the operating constraints placed on customers such as RiverBay.

13 **Q. What are your recommendations concerning how the Reliability Credit**
14 **Measurement Period contained in the JP should be revised?**

15 A. GEE's and RiverBay's major problem with the Measurement Period is after
16 Year 1. Since it is a Year 2 problem, there is time to complete all the cost studies
17 and questions raised in the Track Two Order as they pertain to the development of
18 Standby Rates as well as Reliability Credits and the Measurement Period. This
19 would allow a solution based on the rate design principles outlined in the Track
20 Two Order. I also recommend that consideration be given to revising the

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1 Measurement Period to accommodate a class of customers like RiverBay so that
2 steam combined heat and power customers are encouraged to install and operate
3 Distributed Generation units. As explained by Witness Ahrens, some practical
4 ways to accomplish this are to keep the existing Measurement Period in place, at
5 least for those customers who are subject to regulatory requirements that prevent
6 compliance with the longer period. An alternative would be to allow 10 days of
7 planned outages be exempt from the Reliability Credit calculation.

8 **Q. Does this complete your testimony?**

9 A. Yes, it does.