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Date: October 13, 2016

VIA ELECTRONIC MAIL

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

Re:

Case 16-E-0060 – Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Electric Service.

Case 16-E-0061 – Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Gas Service.

Dear Secretary Burgess:

Environmental Defense Fund hereby submits for filing its statement in support of the Joint Proposal in the captioned cases.

Respectfully submitted,

A handwritten signature in purple ink, appearing to read "E. Stein", is written over a horizontal line.

Elizabeth B. Stein

Cc:

Hon. Ben Wiles, Administrative Law Judge
Hon. Dakin D. Lecakes, Administrative Law Judge
Active Parties

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Case 16-E-0060 – Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Electric Service

Case 16-G-0061 – Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Gas Service

STATEMENT OF SUPPORT OF ENVIRONMENTAL DEFENSE FUND
REGARDING THE JOINT PROPOSAL FILED IN THE ABOVE CASES

DATED: October 13, 2016

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**BEFORE THE
NEW YORK PUBLIC SERVICE COMMISSION**

STATEMENT OF ENVIRONMENTAL DEFENSE FUND
IN SUPPORT OF JOINT PROPOSAL

EDF is a leading national nonprofit organization, headquartered in New York. EDF strongly supports the three clean energy goals for 2030 that are set forth in New York State’s June 2015 State Energy Plan (“SEP”). Those three challenging goals are:

- a 600 trillion Btu increase in statewide energy efficiency (likely equivalent to a 23% reduction in building energy use from 2012 levels),
- a 40% reduction in energy sector carbon dioxide (CO₂) emissions from 1990 levels, and
- 50% of electric generation from renewable sources.

Achieving these goals is essential to New York doing its part to put the State, the nation and the world on a path that would prevent global mean temperatures rising more than 2 degrees centigrade. Over the past several years, the Commission has taken steps through proceedings including the Reforming the Energy Vision (“REV”) proceeding and the Clean Energy Standard (“CES”), among others, to move the State’s electric system in the direction called for by these SEP goals.

New York commercial and residential consumers of electric power have a strong interest in preventing significant global warming as defined by the International Panel on Climate Change, a body created by the United Nations. Significant global warming could result in sea level rise that could increase coastal flooding and harm coastal ecosystems in NYC and Long Island, increase the severity and frequency of very hot summer days with attendant adverse health effects particularly for vulnerable groups, reduce water supplies, cause shifts in precipitation, and lead to more intense storm events. In addition, carbon dioxide pollution causes other harms to the planet and the public, such as ocean acidification. As EDF president Fred Krupp has stated on numerous occasions, there is no high-carbon

path to prosperity.¹ The costs of addressing the financial, societal, and environmental impacts of global warming will be enormous, and the only prudent course is to take steps to decarbonize sooner rather than later. At the same time, the costs of achieving the three goals – which can be expected to include very large investments in commercial and residential building energy efficiency, highly efficient appliances that use electric power, and both large-scale and distributed renewable systems – will be substantial. The State’s electric utilities, including Con Edison, are in a critically important position to take action and facilitate actions by their customers to make the whole electric power system, including the ways customers use energy, more efficient and less carbon intensive.

In recent years, EDF has worked closely with regulators and utility companies in multiple jurisdictions to hasten the full deployment of a smarter, cleaner electric system – including advanced technology (for example, smart meters, customer- and grid-side technology to manage high levels of intermittent distributed generation, and technology to enable auto-demand response for all customer classes), more sophisticated rate structures that enable customers to make efficient consumption decisions, mechanisms for fully compensating for customer-sited energy resources, well-designed market rules that create opportunities for technology innovation, and utility business models that enable investment in advanced technology and full compensation for customer-sited resources while permitting robust recovery by utility companies for prudent investments in the system. In these rate cases, EDF filed direct and rebuttal testimony² and participated actively throughout the settlement process.

Con Edison’s 2016 rate case was filed in January 2016, several months before the PSC’s Track Two Order was filed in the REV proceeding. Nonetheless, at the time it was filed, the Company was well aware that the Commission was sending it and the other utilities in New York State on a path that

¹ See Global Roundtables Blog, UN Launches the UN Decade of Sustainable Energy for all 2014-2024 at the First Sustainable Energy for All Forum (June 13, 2014), *available at* <https://globalroundtableissues.wordpress.com/2014/06/13/un-launches-the-un-decade-of-sustainable-energy-for-all-2014-2024-at-the-first-sustainable-energy-for-all-forum/>.

² All such testimony is incorporated herein by reference for informational purposes to help show that the Joint Proposal is reasonable and falls within the realm of fully litigated outcomes.

diverged in significant ways from business as usual. The Staff Straw Proposal in the REV proceeding, issued in August 2014, described some disturbing trends that suggested that costs of generating and delivering electric energy to both residential and commercial customers could rise significantly because of the traditional capital investments that would be necessary to maintain a system that produces and delivers reliable power during peak demand conditions given current trends in consumption of baseline and peak loads and the need for reinvestment in aging infrastructure:

- “Minimal load growth, projected to be 0.16% per year through 2024;
- “Increasing peak loads growing at an estimated 0.83% per year, resulting in declining system efficiency as measured by load factors;
- “Aging infrastructure, with 14,000 MW of non-hydro generation facilities over 40 years old, and approximately \$30 billion needed to support transmission and distributions systems over the next years (not including NYPA and LIPA).”³

As Staff further observed, “The factors described above, taken together, create strong cause for reform. The worsening system efficiency indicated by rising peaks threatens higher commodity electricity prices, especially from capacity markets and energy price spikes during peak hours. Replacement of aging infrastructure will place pressure on delivery rates, and flat sales growth means that these costs cannot be covered by an increasing sales base. Further, the need to replace aging infrastructure presents the opportunity to make smart, strategic choices about how to replace those assets rather than being locked into resource choices by default...”⁴

Because the cost of generating and distributing power differs enormously depending on the time of use, the cost of maintaining electrical infrastructure is disproportionately driven by prolonged hot periods and the cost of generation itself varies seasonally and by the hour. Today, mass market customers

³ Case 14-M-0101, *Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision, Developing the REV Market in New York: DPS Staff Straw Proposal on Track One Issues*, (Aug. 22, 2014) [hereinafter Staff Straw Proposal] at 7.

⁴ Staff Straw Proposal at 7.

do not experience price signals that give them any incentive to manage their use in a manner that will reduce their exposure to the highest commodity prices, nor do they see any near-term benefit from managing their usage in a manner that would moderate future system costs. Price signals that alert consumers to the real cost of power that they are consuming at a given time and provide an incentive to moderate peak demand use can enable customers to avoid the most expensive power and enable utilities to avoid or defer certain investments in distribution infrastructure.

While the investments needed to modernize and decarbonize the antiquated electric system will inevitably lead to some upward pressure on utility revenue requirements, customers should be in a position to take steps to reduce bill impacts and moderate the cost of the system infrastructure, provided they make their energy decisions in a marketplace, informed by meaningful price signals. Today most customers make their electric consumption decisions without such meaningful price signals, and, thus, with no hope of minimizing either their purchases of pricey peak power or their contribution to future system costs. The deployment of the Advanced Meter Infrastructure (“AMI”) can change this by providing customers, authorized third parties and Con Edison with information about the actual time of consumption, which would establish necessary prerequisites for meaningful price signals that reflect the real cost of power at a given time and provide an incentive for managing future costs resulting from overloaded distribution infrastructure. Thus, in addition to the benefits of this \$1.3 billion investment as identified in the BCA, the AMI system’s contribution to creating a meaningful pricing environment is essential to getting a functioning marketplace up and running and giving customers an opportunity to manage the costs of transforming the system.

Making smart choices about the future electric system, to avert future fiscal disaster even as we transform electric generation to reduce its carbon intensity as quickly as possible, is the essence of the challenge that the Commission is working to address. The JP as filed represents a good effort to move in that direction; the JP, which the Company, Staff and other settlement parties developed through a process that was informed by important developments that occurred over the course of 2016 (including the

Benefit Cost Analysis Framework Order in the REV proceeding,⁵ the Order accepting Con Edison's AMI Business Plan subject to conditions,⁶ the Order Establishing Distributed System Implementation Plan Guidance,⁷ and the Track Two Order⁸) represents a vital and important step toward a smarter energy future for the downstate region. It is in the public interest that it be accepted. A discussion of some of the positive steps enabled by this JP follows.

Meaningful progress toward a smarter marketplace through Advanced Metering

Infrastructure. The JP includes provisions that help ensure that the AMI deployment will pave the way for a system that can provide the basis for a functional marketplace. It ensures that Con Edison will be able to move forward with the pricing pilots contemplated in the AMI business plan. In the future, advanced metering will make it possible for cost-conscious consumers to avoid purchasing the costliest power because they'll actually be able to tell what that is. Although the rate case focused on delivery rates rather than how commodity prices are passed through, we encourage the Commission to require that customers have opportunities to respond to time-variant commodity prices sooner rather than later. In addition, the JP establishes rigorous metrics that will help make sure that AMI deployment stays on track, is state of the art, and is maximally capable of supporting third party providers with whom customers have the option of doing business.

Meaningful progress toward pricing service for standby customers in a manner that allows for the optimal deployment of distributed generation while ensuring that it is environmentally beneficial. The JP establishes a credit that will allow distributed generation owners who are subject to

⁵ See Case 14-M-0101, *supra*, Order Establishing the Benefit Cost Analysis Framework (Jan. 21, 2016).

⁶ See Case 15-E-0050, *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Electric Service*, Case 13-E-0030, *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Electric Service*, and Case 13-G-0031, *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Gas Service*, Order Approving Advanced Metering Infrastructure Plan Subject to Conditions (Mar. 17, 2016).

⁷ See Case 14-M-0101, *supra*, Order Adopting Distributed System Implementation Plan Guidance (Apr. 20, 2016).

⁸ See Case 14-M-0101, *supra*, Order Adopting a Ratemaking and Utility Revenue Model Policy Framework (May 19, 2016).

the standby tariff to be recognized for reliably managing their load through any means during specified hours (even if their distributed generation doesn't perform as expected during those times); creates new standby exemption opportunities for certain distributed generation that meets stronger environmental and efficiency benchmarks; and also allows new standby rate structures to be piloted. While the JP is a step forward in an area where building owners have perceived rate design as a barrier to implementing efficient technologies, ensuring that on-site distributed generation that is powered by fossil fuels such as natural gas contributes to desired environmental outcomes over the long term will require further measures to manage emissions from those resources, including measures to ensure that their aggregate CO₂ emissions are consistent with state carbon reduction goals.

Utility EV programs. The JP includes incentives for the Company to encourage EV adoption, as well as an agreement to work on price structures to incentivize off-peak charging of all kinds of electric vehicles, including trucks and buses etc., by reflecting the carbon savings associated with moving from fossil fuel-powered vehicles to electric vehicles. As the electricity system overall gets cleaner, the share of emissions attributable to transportation system will become a larger share of New York's greenhouse gas footprint. The development of an EV program under which market actors can benefit from the carbon savings associated with moving from fossil fuel-powered gas to electric vehicles will be increasingly critical for New York to achieve its overall greenhouse gas goals.

A significant scaling up of utility energy efficiency and peak reduction programs. Energy efficiency is typically two to three times less expensive than traditional power sources. The new energy efficiency programs proposed in the JP are projected to yield more than 300 gigawatt-hours (GWh) of savings annually by 2019, which is equivalent to electricity used by 70,000 typical New York City residential customers in a year, and these programs would continue to save customers that much each year for the lifetime of the energy efficiency investments. A System Peak Reduction Program would add an additional 22 GWh of efficiency per year also by 2019, while providing 49 megawatts of system peak reduction, which will reduce energy costs and pollution in New York because a reduction in system peak means that the most expensive and dirtiest peaking power plants would need to be run less often.

Helping the Company to value the efficiency and system efficiency outcomes policymakers seek. While it is worthwhile for the Company to catch up with utility energy efficiency programs in other jurisdictions where there has been greater support for such programs, New York's overall efficiency goal – the 600 trillion Btu increase in statewide energy efficiency called for in the State Energy Plan – is likely too ambitious to be reasonably achievable by utility programs alone. The JP makes strides toward building utility support for a robust marketplace for EE and system efficiency, including EE and system efficiency achieved other than through utility programs, by establishing a collaborative working group that is presently developing outcome-oriented EAMs.

Harnessing sophisticated leak detection and quantification technologies to reduce methane pollution. The JP provides for the continuation of a collaborative effort to consider technology that can measure leak flow rates of methane, a potent greenhouse gas, from Con Edison's very extensive natural gas pipeline system. The collaborative has been applying this technology, on a pilot basis, to assess the relative size of Type 3 methane leaks (i.e., leaks that do not pose a safety hazard) on Con Edison's system so that the largest leaks may be prioritized for repair first. The JP proposes that next steps include further consideration of the prioritization of Type 3 leak repairs using such data on an ongoing basis, as well as the use of methane leak flow rate data, as a secondary factor, in prioritizing leak replacement activities. These proposed next steps will help minimize the global warming impact of the natural gas system and generate ratepayer benefits.

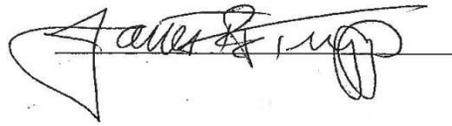
Funding the Climate Change Vulnerability Study. Three years ago, after Superstorm Sandy devastated the Con Edison service territory, the Company agreed in the joint proposal that provided the basis for settling its 2013 rate cases to perform a Climate Change Vulnerability Study, which would provide a scientific basis for developing long-lived infrastructure that could be reasonably expected to be durable and usable in changing conditions as the climate changes over the coming decades. Unfortunately, that study was never performed, and as a result, today the system is still being built to perform in the climate conditions of the past, which may be very different from the climate conditions of the future. This JP authorizes the Company to spend \$4 million to complete the study.

Conclusion

Developing a rate plan for such a complex system while the REV transformation is underway is no easy task, but the features of the JP discussed herein will help meet the formidable challenges described in the opening section of this statement.

Dated: New York, New York
October 13, 2016

Respectfully submitted,

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James T. B. Tripp
Senior Counsel, Environmental Defense Fund

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