

# Consumer Power Advocates

Columbia University Medical Center  
Fordham University  
Memorial Sloan Kettering Cancer Center  
The College of New Rochelle

Mount Sinai Health System  
New York Presbyterian Hospital  
New York University  
NYU Langone Medical Center

October 13, 2016

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

RE: Cases 16-E-0060 & 16-G-0061 - Con Edison Electric and Gas Rates

Dear Secretary Burgess:

## **Statement In Support of the Joint Proposal**

On September 19, Consumer Power Advocates (CPA) along with Consolidated Edison (the Company), Department of Public Service Staff (Staff or DPS), the City of New York (the City) and other interested parties<sup>1</sup> filed a Joint Proposal (JP) to establish rates and other terms of service for electric and gas service covering the three- year period ending December 31, 2019. The terms of the JP meet these requirements of the Commission's Settlement Guidelines:

1. They are consistent with the law and regulatory, economic, social and environmental State and Commission policies
2. They compare favorably with the likely result of a fully litigated case and produce a result within the range of reasonable outcomes
3. They fairly balance the interests of ratepayers, investors and the long-term soundness of the utility, and
4. They provide a rational basis for the Commission's decision

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<sup>1</sup> The signatory parties are Con Edison, Staff, CPA, New York Power Authority ("NYPA"), City of New York, United States General Services Administration, New York Energy Consumers Council, Inc. ("NYECC"), the Pace Energy and Climate Center ("Pace"), the Environmental Defense Fund ("EDF"), Acadia Center, Metropolitan Transportation Authority ("MTA"), Time Warner Cable Inc. ("Time Warner"), Community Housing Improvement Program ("CHIP"), Great Eastern Energy, LLC, Digital Energy Corp., Joint Supporters, the E Cubed Company, LLC, Northeast Clean Heat and Power Initiative, Association for Energy Affordability, Inc., Energy Concepts Engineering, PC, Real Estate Board of New York, and Natural Resources Defense Fund ("NRDC").

It is our judgment that any decision resulting from a process of litigation would likely come to an inferior resolution of first year issues, without the added benefits accruing from a multi-year settlement. In reaching this result, CPA compromised on many issues of importance to our members, and our support is premised on the acceptance of all of its terms and conditions. Taken in its entirety, we believe the JP is far superior to the uncertain result of a litigated decision. The JP addresses the concerns of both the Company and its customers, as expressed during the extensive series of negotiating sessions. Many complex issues, including several of great importance to our members, were resolved in this process.

Con Edison originally filed for an annual revenue increase of \$482 million for electric service for calendar year 2017, and additional increases of \$180 million and \$141 million in the following years. It also proposed an annual increase of \$154 million for natural gas service, and additional increases of \$97 million and \$109 million in the following years. The JP recommends increases for electric service of a \$194.5 million increase in Rate Year 1, a \$155.315 million increase in Rate Year 2, and a \$155.206 million increase in Rate Year 3. It also recommends a rate decrease for natural gas service of \$5.373 million in Rate Year 1, followed by increases of \$92.337 million in Rate Year 2 and an \$89.453 million increase in Rate Year 3. The JP also provides for levelization of the electric increase, resulting in increases of \$199 million in each of the three years, including the expiration of \$47.776 million in credits remaining from the current rate plan. Thus, the JP provides for large savings and significant mitigation of bill impacts when compared to Con Edison's original filing.

The terms of the JP advance several Commission policy goals. In particular, they include seven studies or collaboratives:

1. A distributed generation (DG) interconnection procedures collaborative
2. An electric marginal cost study
3. A gas peak reduction collaborative
4. An collaborative to determine the value of interruptible gas service
5. A CNG access study

6. A climate change vulnerability study, and
7. A study to determine the feasibility of converting building meters to individual tenant meters

The JP also includes pilot projects to alleviate the barriers to the development of distributed energy resources (DER) posed by both standby and buyback rates, including extended waivers of standby rates for new DG plants that achieve higher efficiency and emissions standards; collaborative processes to develop earnings adjustment mechanisms (EAM) for energy efficiency improvements, gas safety enhancements and methane reduction, among others.

The JP recommends reducing the monthly minimum charge applicable to demand-billed customers who install DG. That charge would have reduced or eliminated the benefit of the standby rate waiver required by the Commission's REV Track 2 order of May 19, 2016.

Of particular importance to our members, the JP also recommends increasing the availability of Business Incentive Rates (BIR) for biomedical research in non-profit institutions by 20 MW. The growth and expansion of this sector will positively affect the economics of the entire metropolitan region. Non-profit Biomedical Research has contributed significant job and economic growth to the City, and with proper financial support will continue to do so. The strong economic impact of this sector provides one of the major growth engines in the New York City metropolitan area. As the City Economic Development Corporation (EDC) recently stated, "a city that prioritizes science and healthcare research is not just helpful for a healthy, safe, and stable workforce, is vital for a sustainable economy." Many biomedical facilities – both CPA members and others – have benefitted from the BIR, and this increase in the Biomedical BIR set aside is among the most important reasons for our support of the JP.

The overall amount of rate relief is reasonable and adequate to maintain the Company's strong financial position, while still providing for reasonable bill impacts for all customers. The agreement to extend the rate plan to three years allows for significant mitigation of bill impacts in the first year, an important consideration for our members. We believe that

the Company has accepted significantly reduced revenue in exchange for the reduced risk provided by the three year rate plans. Moreover, we believe that this reduced risk provides financial stability of the Company.

The electric rate stability provided by the JP is another matter of great importance to our members, as is the realignment of rates to more accurately reflect costs. As in past cases, the quantification of the cost of service was a contentious issue in this case. The JP resolves these issues, and allows significant mitigation for several customer classes, without abandoning the principles of cost-based rates.

The JP resolves interruptible gas rate issues fairly. The large increase originally proposed for certain interruptible rates would have caused burdensome increases for our members who operate large boiler plants, and would have added to the barriers to the development of DG. The risk, however small, that the Commission would have accepted those proposed increases is an important reason for our support of the JP.

All of these issues are resolved by compromise of the litigated positions of the signatory parties. Fourteen parties<sup>2</sup> sponsored testimony in this case, and an extensive discovery process provides a rational basis for the Commission to approve the JP.

For all of the above reasons, CPA urges the Commission to approve the Joint Proposal in its entirety.

Respectfully submitted,

*Catherine Luthin*

Executive Director

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<sup>2</sup> Testimony was sponsored by the Company, Staff, NYPA, NYC, CPA, MTA, NYECC, and Pace, EDF, CHIP, Department of State Utility Intervention Unit, PULP, Utility Workers Union of America AFL-CIO, Local 1-2 and County of Westchester.