

BEFORE THE  
STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

---

In the Matter of  
Consolidated Edison Company of New York, Inc.

Cases 16-E-0060 and 16-G-0061

October 2016

---

Prepared Reply Testimony of:  
Staff Joint Proposal and Policy  
Panel

Kevin Higgins  
Supervisor, Utility Accounting  
and Finance  
Office of Accounting, Audits  
and Finance

Daniel J. Wheeler  
Utility Supervisor

Mary Ann Sorrentino  
Utility Supervisor

Nicola Jones  
Utility Engineer 3  
Office of Electric Gas and Water

Honor Marie Kennedy  
Utility Consumer Specialist 4  
Office of Consumer Services

Robert Cully  
Utility Engineer 2  
Office of Markets and Innovation

State of New York  
Department of Public Service

Three Empire State Plaza  
Albany, New York 12223-1350

90 Church Street  
New York, New York 10007

1 Q. Please state your names, employer, and business  
2 address.

3 A. Our names are Kevin Higgins, Mary Ann  
4 Sorrentino, Daniel Wheeler, Robert Cully, Honor  
5 Kennedy and Nicola Jones. We are employed by  
6 the New York State Department of Public Service  
7 (Department) located at Three Empire State  
8 Plaza, Albany, New York 12223, and 90 Church  
9 Street, New York, New York 10007.

10 Q Panel, have you previously provided pre-filed  
11 testimony in these proceedings?

12 A. Yes, we are members of the Staff Electric Policy  
13 Panel (Higgins, Sorrentino and Cully), the Staff  
14 Gas Policy Panel (Wheeler), the Staff Electric  
15 Infrastructure and Operations Panel (Jones), the  
16 Consumer Policy Panel (Kennedy). Our education  
17 and professional experience can be found in  
18 those testimonies filed as Exhibits to these  
19 proceedings.

20 Q. Are you sponsoring any exhibits with your  
21 testimony?

22 A. Yes. We are sponsoring one exhibit in our  
23 testimony.

24 Q. Please briefly describe the exhibit.

1 A. Exhibit\_\_(SJPP-1) contains an analysis of  
2 historical cooling degree day trends for the  
3 months of June and September.

4 Q. What is the purpose of the Panel's reply  
5 testimony?

6 A. The purpose of our reply testimony is to:  
7 address 1) New York Independent Contractors  
8 Alliance (NYICA) Testimony in Opposition of the  
9 Joint Proposal as it relates to the potential  
10 impact on Interference costs as a result of  
11 changes Con Edison made in awarding work under  
12 its Standard Terms and Conditions for  
13 construction contracts; and 2) the opposition to  
14 the Reliability Credit; specifically, (i) the  
15 direct testimonies of Ronald G. Lucas and David  
16 Ahrens, submitted on behalf of Intervenors  
17 Energy Spectrum, RiverBay Corporation, and Great  
18 Eastern Energy, related to the Reliability  
19 Credit which would be available to all standby  
20 rate customers per the stipulations of the Joint  
21 Proposal; and, (ii) the Statement in Support  
22 submitted by Digital Energy Corp. regarding  
23 metering requirements, the Reliability Credit,  
24 and provisions related to Service Classification

1 11 (SC-11).

2 NYICA Opposition

3 Q. What is NYICA's position regarding municipal  
4 interference cost?

5 A. On page 5 of the testimony of Mr. Kilkenny,  
6 NYICA states that interference costs are  
7 excluded from rates; therefore, Con Edison has a  
8 significant incentive to monitor and control  
9 costs. It is NYICA's understanding that the  
10 Company is now asking the Commission to permit  
11 Con Edison to recover some of its future  
12 interference costs from the ratepayers if it  
13 spends above the target numbers, as set forth in  
14 Appendices 8 and 9 of the Joint Proposal.

15 Q. Is it correct that interference costs are  
16 excluded from electric and gas rates?

17 A. No. Currently, electric and gas rates provide  
18 funding for Operation and Maintenance (O&M)  
19 interference costs associated with the support,  
20 protection and maintenance of the Company's  
21 existing electric and gas facilities, as well as  
22 funding for capital interference costs  
23 associated with new electric and gas facilities.  
24 Furthermore, the Company's current electric and

1 gas rate plans provide for a full downward  
2 reconciliation of actual expense below the  
3 respective electric and gas rate allowance and  
4 reconciliation of amounts up to 30 percent above  
5 the rate allowances, shared on an 80/20 basis  
6 between customers and the Company, respectively,  
7 with limited exceptions.

8 Moreover, for electric capital  
9 expenditures, interference costs are subject to  
10 downward-only reconciliation, and for gas  
11 capital expenditures, interference costs are  
12 subject to a downward reconciliation with a  
13 limited upward reconciliation.

14 Q. Does the Joint Proposal continue to provide Con  
15 Edison funding for both O&M and capital  
16 interference costs?

17 A. Yes.

18 Q. Does the Joint Proposal continue the same  
19 reconciliation provisions for O&M and capital  
20 interference related expenditures contained in  
21 Con Edison's electric and gas rate plans?

22 A. Yes.

23 Q. What does NYICA state regarding the cost  
24 estimates provided by Con Edison for municipal

1 interference in these proceeding?

2 A. NYICA states, at page 6 of the Kilkenny  
3 testimony, that the Company has not presented an  
4 accurate and complete budget forecast for  
5 interference costs, and has a track record of  
6 making decisions that increase its construction  
7 costs for non-business purposes that present a  
8 risk of future unwarranted costs to the  
9 ratepayer.

10 Q. Did Staff review Con Edison's proposed rate year  
11 forecasts of electric and gas interference  
12 expenditures?

13 A. Yes. That review, including a finding that the  
14 Company's rate year forecasts were reasonable  
15 and in line with actual historic expenditures,  
16 was discussed in the pre-filed direct testimony  
17 of Staff Shared Services and Municipal  
18 Infrastructure Support Panel.

19 Q. Does Staff share NYICA's assumption that the  
20 changes Con Edison made to its Standard Terms  
21 and Conditions for construction contracts,  
22 specifically, requiring contractors to be a part  
23 of the Building and Construction Trades Council  
24 (BCTC) of Greater New York, will lead to

1 interference costs in excess of the rate  
2 allowances provided in the Joint Proposal?  
3 A. As noted above, the forecasts reflected in the  
4 Joint Proposal are in line with actual historic  
5 expenditures. As NYICA indicated in their  
6 opposition, the first contracts under the new  
7 terms and conditions will be bid, awarded and  
8 executed by 2017. Thus, the forecasts are based  
9 on historic costs of 2011-2015 incurred prior to  
10 the change in the Standard Terms and Conditions.

11 Additionally, in the event, the Company  
12 defers O&M costs under the reconciliation  
13 mechanism for future recovery provided for in  
14 the Joint Proposal, Staff reviews this deferral  
15 and could take issue with costs directly related  
16 to the change.

17 Finally, as noted above, for electric  
18 capital expenditures, interference costs are  
19 subject to downward-only reconciliation and for  
20 gas capital expenditures, interference costs are  
21 subject to downward reconciliation with a  
22 limited opportunity upward reconciliation.

23 Q. Does Staff have any final comment on the matter?

1 A. Yes. To assure that customers will not be  
2 harmed in the future as a result of Con Edison's  
3 business decision to change its Standard Terms  
4 and Conditions for construction contracts, Staff  
5 recommends that the Commission require the  
6 Company to make a showing in its next electric  
7 and gas rate filings that its O&M and capital  
8 costs have not increased as a result of this  
9 change.

10 Reliability Credit

11 Q. Please provide an overview of the Reliability  
12 Credit under the Joint Proposal.

13 A. The Reliability Credit is designed to provide a  
14 financial incentive for customers whom are able  
15 to reliably maintain the electric demand they  
16 take from Con Edison's distribution system below  
17 their respective Contract Demand amounts during  
18 two consecutive summer periods, thus allowing  
19 Con Edison to consider this reliably-lowered  
20 amount of demand during system planning  
21 activities.

22 Q. Please describe the Reliability Credit, in  
23 dollars, and the timing of its implementation.

24 A. The Reliability Credit, in dollars, is equal to

1 the product of: (a) the Reliability Adjustment,  
2 defined as the customers Contract Demand amount,  
3 in kilowatts (kW), less the highest kW demand  
4 recorded on the meter(s) used for monthly  
5 billing, net of generation, during a defined  
6 Measurement Period; and, (b) the Delivery  
7 Service Contract Demand Charge, in dollars per  
8 kW, that is in effect on October 1 of each year  
9 in which the Reliability Credit is determined.  
10 Once determined, the Reliability Credit will be  
11 applied to the customer's successive 12 monthly  
12 bills, commencing in November of the year for  
13 which the Reliability Credit has been  
14 determined.

15 Q. Please explain the Measurement Period as stated  
16 in the Joint Proposal.

17 A. The Measurement Period is defined as specific  
18 Measurement Hours during the previous two  
19 consecutive summer periods; provided, however,  
20 that the first year in which a customer seeks  
21 the Reliability Credit, the Measurement Period  
22 will only be the Measurement Hours during the  
23 previous full summer period. The Joint Proposal  
24 adopts a phased-in approach whereby the

1 Measurement Period for Rate Year 1 is set using  
2 the same Measurement Hours and definition of  
3 "Summer Period" currently-effective for the  
4 Performance Credit in order to allow current  
5 customers whom are used to optimizing their  
6 systems to earn the Performance Credit an  
7 additional year to get accustomed to the  
8 Measurement Period which will be in effect for  
9 Rate Years 2 and 3.

10 Q. What are the Measurement Periods for each Rate  
11 Year under the Joint Proposal?

12 A. The Measurement Period for Rate Year 1 is  
13 defined as Monday through Friday, excluding  
14 holidays, from 10 AM to 10 PM, from June 15  
15 through September 15. The Measurement Period  
16 for Rate Years 2 and 3 is defined as Monday  
17 through Friday, 8 AM to 10 PM, from June 1  
18 through September 30.

19 Q. Do you have any initial comments regarding Mr.  
20 Lucas' and Mr. Ahrens' testimonies.

21 A. Yes. The description of the Reliability Credit  
22 is incorrect in both Mr. Lucas' and Mr. Ahrens'  
23 testimonies. Both Mr. Lucas and Mr. Ahrens  
24 incorrectly describe the Reliability Credit as

1 being based on a "billing determinant [that] is  
2 the minimum generation output during the  
3 measurement period," on pages 4 and 5 of their  
4 testimonies, respectively. Both witnesses  
5 mistake the Reliability Credit for the  
6 currently-effective Performance Credit.

7 Q. Please explain how the Reliability Credit and  
8 Performance Credit differ.

9 A. While the Reliability Credit and Performance  
10 Credit are similar conceptually, the Performance  
11 Credit is based solely upon a customer's minimum  
12 generator output during the Measurement Period,  
13 whereas the Reliability Credit is technology-  
14 agnostic and rewards customers for any actions  
15 they may take to reduce demand on the Company's  
16 distribution system.

17 Q. Please explain why the Measurement Period  
18 defined in the Joint Proposal for Rate Years 2  
19 and 3 is reasonable.

20 A. The Measurement Period for Rate Years 2 and 3  
21 should be viewed not in the context of a change  
22 from the requirements of the Performance Credit,  
23 but on its own merits. The months of June  
24 through September used for the Measurement

1 Period in Rate Years 2 and 3 conform to the  
2 definition of Summer Billing Period already in  
3 use for all demand-billed customers, and the  
4 hours of 8 AM to 10 PM used for the Measurement  
5 Period during Rate Years 2 and 3 is the same as  
6 Daily As-Used Demand billing determinants used  
7 for all standby rate customers connected to the  
8 Company's distribution system.

9 Q. Should the Measurement Period related to the  
10 Performance Credit be considered precedential  
11 for the Reliability Credit?

12 A. No. In fact, the Measurement Period related to  
13 the Performance Credit is the result of a  
14 negotiated settlement in Case 15-E-0050. The  
15 Measurement Period for the Performance Credit,  
16 as originally proposed on page 53 of the Con  
17 Edison Electric Rate Panel Initial Testimony  
18 from Case 15-E-0050 was initially proposed to be  
19 from June 1 through September 30 of each year.  
20 Since the Performance Credit is based solely on  
21 minimum generator output, the Measurement Period  
22 related to the Performance Credit was designed  
23 to avoid perverse outcomes of providing an  
24 incentive to customers to generate electricity,

1 usually by burning fossil fuels, to the maximum  
2 extent possible, even during hours and days when  
3 a customer's load may be relatively low in  
4 comparison to its maximum demand.

5 Q. Does the Reliability Credit correct for this  
6 perverse incentive?

7 A. Yes. The Reliability Credit does not provide a  
8 perverse incentive for customers to maximize  
9 generator output regardless of customer load.  
10 Instead, the Reliability Credit only provides an  
11 incentive for customers to use their generation,  
12 or other demand-reducing actions, to minimize  
13 demand. That is, unlike the Performance Credit,  
14 there are no additional incentives under the  
15 Reliability Credit which would spur customers to  
16 operate their generating equipment  
17 uneconomically solely to earn the credit based  
18 on their generation. Therefore, we believe that  
19 it is reasonable to return to the Measurement  
20 Period initially proposed by Con Edison in 2015  
21 and Staff in this proceeding: 8 AM to 10 PM,  
22 weekdays, excluding holidays, between June 1 and  
23 September 30 of each year, as stated in the  
24 Joint Proposal for Rate Years 2 and 3.

1 Q. Are there other reasons you believe the  
2 Measurement Period for the Reliability Credit  
3 under the Joint Proposal for Rate Years 2 and 3  
4 is superior to the Measurement Period  
5 established for the Performance Credit?

6 A. Yes, we believe that the June 1 through  
7 September 30 measurement period acts as a  
8 superior incentive mechanism for eligible  
9 standby service customers to maintain low levels  
10 of demand, and thereby reduce Con Edison's need  
11 to build T&D Infrastructure in the future.

12 Q. Please explain.

13 A. It is well known that hotter weather drives  
14 customer demand and energy use, measured in the  
15 summer months in Cooling Degree Days (CDD). The  
16 number of CDD in a given time period is strongly  
17 related to the use of electricity for cooling  
18 purposes, such as air conditioning, which  
19 generally drives summer peak demands. As can be  
20 seen on page 1 of Exhibit\_\_(SJPP-1), the average  
21 number of CDD in both the month of June and the  
22 month of September has been steadily rising, and  
23 we expect a warming trend to continue in the  
24 future.

1 Q. What conclusions do you draw from these data?

2 A. These data indicate that it will be increasingly  
3 important to control load during the months of  
4 June and September. The Measurement Period for  
5 Rate Years 2 and 3 as defined in the Joint  
6 Proposal provides an incentive for standby  
7 service customers to manage their load during  
8 the entirety of June and September, whereas the  
9 Measurement Period as requested by Mr. Lucas and  
10 Mr. Ahrens does not.

11 Q. Are there other portions of Mr. Lucas' or Mr.  
12 Ahrens' testimony that you take objection to?

13 A. Yes. First, on page 8 of the Lucas testimony,  
14 he states that the Measurement Period for the  
15 Reliability Credit does "not provide an  
16 incentive for customers to reduce demand during  
17 higher-cost hours in that they (sic) treat all  
18 hours the same." Mr. Lucas' claim that the  
19 Reliability Credit does not provide an incentive  
20 for customers to reduce their demand during  
21 higher-cost hours is factually incorrect.  
22 Although the Reliability Credit considers all  
23 hours of the Measurement Period on an equal  
24 footing, it does inherently provide for an equal

1 incentive for customers to reduce demand during  
2 higher-cost hours as well as relatively lower-  
3 cost within the Measurement Period.

4 Q. Please continue.

5 A. Second, on pages 8 and 9 of his testimony Mr.  
6 Lucas claims that "certain customers were able  
7 to negotiate a 'carve out' whereas the concerns  
8 of others who may provide significant system  
9 benefits were not taken into account." He goes  
10 on to cite examples of a limited exemption to  
11 standby rates for battery storage technologies  
12 up to 1 MW and the tightening of Nitrous Oxide  
13 (NO<sub>x</sub>) emissions standards required for combined  
14 heat and power (CHP) facilities to qualify for  
15 an exemption to standby rates. Mr. Lucas' claim  
16 is incorrect. Staff has a well-established  
17 history of supporting policies to help incent  
18 greater penetration of nascent technologies,  
19 such as batteries, as well as supporting the  
20 State of New York's environmental goals.

21 Q. What is your third concern with Mr. Lucas' and  
22 Ahrens' testimonies?

23 A. Third, both Mr. Lucas and Mr. Ahrens claim  
24 repeatedly that Staff did not take into account

1 local laws pertaining to large residential  
2 complexes when it proposed the Measurement  
3 Period. Both witnesses had ample opportunity to  
4 present arguments on the record prior to the  
5 filing of the Joint Proposal demonstrating  
6 whether RiverBay and other large residential  
7 customers should be given preferential treatment  
8 due to factors outside of Staff's expertise or  
9 knowledge, yet neither witness provided direct  
10 or rebuttal testimony prior to the Joint  
11 Proposal to that effect. It is our  
12 understanding that the Intervenor parties did  
13 not become involved until on or about September  
14 8<sup>th</sup>, approximately two and one-half months after  
15 settlement negotiations began. We believe that  
16 the Measurement Period is reasonable. If, in  
17 fact, local laws affect the Measurement Period  
18 for large residential complexes, given that  
19 Great Energy entered the fray beyond the  
20 eleventh hour, it has the burden to establish  
21 this fact decisively, and we are of the opinion  
22 that, without more, such a conclusory statement  
23 should not decide the issue.

24 Q. Do the witnesses claim that the Intervenors will

1 not be able to earn any Reliability Credit?  
2 A. Mr. Ahrens makes a number of factually incorrect  
3 statements regarding RiverBay and other large  
4 residential customers' ability to earn a  
5 Reliability Credits under the Joint Proposal.  
6 On page 5 of Mr. Ahrens' testimony, he states  
7 that a Measurement Period of June 1 through  
8 September 30 "would require RiverBay to maintain  
9 high powerplant production during a required  
10 maintenance period in the late summer" and,  
11 "compliance with that requirement is impossible  
12 for RiverBay." Furthermore, on pages 7-8 of his  
13 testimony, Mr. Ahrens states that the  
14 Measurement Period defined in the Joint Proposal  
15 "makes it impossible for RiverBay to earn a  
16 Reliability Credit," and "we do not believe it  
17 was the Commission's intent to exclude  
18 residential properties from the Reliability  
19 Credit." Further, Mr. Ahrens' assertions that  
20 the Measurement Period defined in the Joint  
21 Proposal would make earning Reliability Credits  
22 impossible for RiverBay and other large  
23 residential customers is factually incorrect.  
24 The Reliability Credit does not require that

1 customers maintain any powerplant production,  
2 since the Reliability Credit is based on the  
3 maximum load on the customer's revenue meter,  
4 net of generation, allowing customers to earn  
5 Reliability Credits for any actions which reduce  
6 net load. Customers may even earn Reliability  
7 Credits for taking no actions whatsoever,  
8 provided that the maximum Daily As-Used Demand  
9 during the Measurement Period does not meet or  
10 exceed the customer's Contract Demand amount.

11 A. Did Mr. Ahrens make any assertions specific to  
12 RiverBay's experiences under the Performance  
13 Credit versus the Reliability Credit?

14 Q. Yes. Mr. Ahrens states that while RiverBay was  
15 able to earn Performance Credits for 2015 and  
16 2016, respectively, "these credits would be lost  
17 because RiverBay needs to change over from  
18 cooling to heating by October 1st and also needs  
19 to shut down the system to clean, descale and  
20 disinfect the 5 cell cooling tower."

21 Q. Do you agree with Mr. Ahrens' claims?

22 A. No. It is our understanding that RiverBay has  
23 operated its powerplant well into late  
24 September, demonstrating that it can, in fact,

1           earn a Reliability Credit by managing its  
2           systems and judiciously using its allowed Outage  
3           Events. Furthermore, RiverBay would, in fact,  
4           have been able to earn Reliability Credits for  
5           2015 and 2016, respectively, if the Reliability  
6           Credit program per the Joint Proposal were  
7           applied to RiverBay's historical performance  
8           during these periods.

9    Q.    Please summarize the exceptions that Digital  
10          Energy Corp (Digital Energy) took to the Joint  
11          Proposal.

12   A.    Digital Energy objects to: (1) the requirement  
13          that standby customers must provide interval  
14          metering at their own cost in order to qualify  
15          to earn the Reliability Credit; (2) the  
16          Measurement Period in Rate Years 2 and 3 for the  
17          Reliability Credit; (3) the structure of SC-11  
18          rate design; and (4) using minimum generator  
19          output data for the SC-11 Bill Credit.

20   Q.    What is your reaction to Digital Energy's  
21          objections?

22   A.    Before we enumerate our observations on Digital  
23          Energy's comments, it should be noted that, in  
24          its Statement in Support, Digital Energy

1 improperly disclosed confidential information  
2 related to settlement negotiations. Therefore,  
3 we will limit our testimony only to those  
4 portions of Digital Energy's Statement which we  
5 deem non-confidential, and request that the  
6 confidential portions of its Statement not be  
7 considered.

8 Q. What is your response to Digital Energy's  
9 objection regarding the metering requirement?

10 A. Digital Energy argues that the metering  
11 requirements of the Reliability Credit are  
12 "unjust and unfair as Con Edison will not use  
13 the data to compute the credit," and "the  
14 generation meter data will be used instead for  
15 Con Edison's own internal purposes and reporting  
16 to the [Public Service Commission] PSC,"  
17 however, the Commission has supported  
18 requirements for customers to provide  
19 Commission-approved interval metering and  
20 telecommunications equipment. On page 14 of its  
21 Order Denying Rehearing and Making Other  
22 Findings, issued on November 25, 2015, in Case  
23 14-E-0488, the Commission required customers  
24 with new CHP units greater than 1 megawatt (MW)

1 taking advantage of the exemption to standby  
2 rates for CHP units between 1 MW and 15 MW to  
3 install Commission-approved, revenue grade,  
4 interval metering and telemetry at the  
5 customer's expense. The generation metering  
6 required by the Commission in the context of the  
7 exemption to standby rates was approved for the  
8 same purposes as the Reliability Credit, and is  
9 similarly not required to be used for purposes  
10 other than information gathering.

11 Q. What is your response to Digital Energy's  
12 objections concerning the Measurement Period?

13 A. On page 2 of its statement, Digital Energy  
14 claims that the Reliability Credit is based on  
15 "the use of minimum performance over two years  
16 with a minimum performance ratchet." Digital  
17 Energy is factually incorrect. Instead, the  
18 Reliability Credit is based on the maximum  
19 demand, net of generation, on the customer's  
20 revenue meter during the Measurement Period.  
21 Furthermore, Digital Energy ignores the  
22 contributions of any action a customer may take  
23 to reduce load, and does not consider that the  
24 customer may be able to earn the Reliability

1 Credit even if its generation is offline during  
2 low-load conditions.

3 Q. Do you agree with Digital Energy's concerns with  
4 the SC-11 buyback service rate design?

5 A. No. Digital Energy notes its dissatisfaction  
6 with SC-11 buyback service rate design, and  
7 proposes that the Commission institute a process  
8 to explore deficiencies in such rate design.  
9 The process proposed by Digital Energy is  
10 unnecessary because the Joint Proposal already  
11 allows for significant examination, testing, and  
12 implementation of SC-11 rate design  
13 improvements.

14 Q. How does the Joint Proposal incorporate changes  
15 to the SC-11 rate design?

16 A. Page 63 of the Joint Proposal states that "the  
17 Company expects to file the standby matrix,  
18 including changes in the standby rates and  
19 buyback tariff (SC 11), pursuant to the Track  
20 Two Order," and allows for any resulting changes  
21 to standby or buyback rates to be implemented  
22 during the term of the Rate Plan. Furthermore,  
23 Page 5 of Appendix 20 of the Joint Proposal  
24 states that the Standby Rate Pilot will "develop

1 and test new export delivery rates for SC 11  
2 customers", allowing for further examination and  
3 testing of buyback service rate design.

4 Q. Did Digital Energy make any other claims  
5 regarding SC-11?

6 A. Digital Energy expresses dissatisfaction in the  
7 SC-11 Bill Credit in that it deems that program  
8 to be a reliability program which, unlike other  
9 reliability programs at the New York State  
10 Independent System Operator (NYISO) and Con  
11 Edison's demand response programs, is based on  
12 minimum generation during its defined  
13 Measurement Period instead of average  
14 performance during such period.

15 Q. Please provide a brief overview of the SC-11  
16 Bill Credit.

17 A. The SC-11 Bill Credit allows export-only SC-11  
18 customers to earn a credit for value of the  
19 output of their generation assets during the  
20 Summer Capability Period applicable to the  
21 Company's Commercial System Relief Program  
22 (CSR) demand response program in lieu of  
23 participation in such program. The SC-11 Bill  
24 Credit is modelled after the CSR in that the

1 Measurement Hours applicable to the SC-11 Bill  
2 credit are based on the CSRP Summer Capability  
3 Period of May 1 through September 30 of each  
4 year, and the CSRP event call window effective  
5 in the network or radial load area that the  
6 export-only SC-11 customer is interconnected to.

7 Q. Why would an export-only SC-11 customer  
8 participate in the SC-11 Bill Credit and not  
9 participate in the CSRP?

10 A. Participation and performance in the CSRP is  
11 measured by comparing a customer's actual load  
12 during demand response events against the same  
13 customer's baseline load, requiring customers to  
14 take action to reduce load during demand  
15 response events to earn payments under the CSRP.  
16 Since export-only SC-11 customers have no load  
17 to reduce and may take no actions other than to  
18 continue generating during demand response  
19 events, export-only SC-11 customers do not have  
20 a baseline against which their performance  
21 during events can be measured, and are therefore  
22 excluded from participating in the CSRP. The  
23 SC-11 Bill Credit provides a financial benefit  
24 to export-only customers for the value of their

1 generation to the grid during the hours when a  
2 CSRP participant could be called to perform  
3 under that program.

4 Q. Do you object to Digital Energy's assertions  
5 regarding the SC-11 Bill Credit?

6 A. Yes. Digital Energy is factually incorrect in  
7 its assertion that the SC-11 Bill Credit is a  
8 reliability program, and furthermore we believe  
9 that the measurement methodology established by  
10 the Joint Proposal for the SC-11 Bill Credit is  
11 reasonable.

12 Q. Please explain how Digital Energy is incorrect.

13 A. Digital Energy asserts that it deems the SC-11  
14 Bill Credit to be a reliability program, and  
15 claims that "the Company's own reliability  
16 program, CSRP and [Distribution Load Relief  
17 Program] DLRP use averages to determine  
18 performance." Digital Energy's claim is  
19 incorrect, as the CSRP, which we have already  
20 explained is the basis for the SC-11 Bill  
21 Credit, is a peak-shaving demand response  
22 program. The Commission has acknowledged the  
23 differences in peak-shaving programs versus  
24 reliability programs, and held Con Edison's CSRP

1 as an example of a peak-shaving program in its  
2 December 15, 2014 Order Instituting Proceeding  
3 Regarding Dynamic Load Management and Directing  
4 Tariff Filings in Case 14-E-0423.

5 Q. What is the difference between a peak-shaving  
6 program and a reliability program?

7 A. Peak-shaving programs seek to reduce the need  
8 for transmission and distribution (T&D)  
9 infrastructure building over the long term,  
10 whereas reliability programs are designed to  
11 respond to conditions on the grid to lessen the  
12 impacts of or fully avoid outages.

13 Q. Why is the SC-11 Bill Credit measurement  
14 methodology reasonable?

15 A. The SC-11 Bill Credit allows export-only SC-11  
16 customers to earn a credit for the value of  
17 their generation to the distribution system  
18 which would otherwise be lost to them. Instead  
19 of the standard measurement and verification  
20 required for other CSRP participants which  
21 requires direct action by participants to reduce  
22 demand, SC-11 Bill Credit participants will be  
23 paid based solely on their minimum generation,  
24 excluding up to three 24-hour outage events per

1 year for Rate Year 1 and two outage events for  
2 Rate Years 2 and 3. It is reasonable to require  
3 a higher standard of measurement for the SC-11  
4 Bill Credit to ensure that Con Edison can rely  
5 on SC-11 Bill Credit participants to be  
6 providing electricity to the grid when planning  
7 its system.

8 Q. Does this conclude your testimony?

9 A. Yes.