

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

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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.

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**METROPOLITAN TRANSPORTATION AUTHORITY**

**REBUTTAL TESTIMONY OF**

**STEVEN D. WISLO**

Dated: June 17, 2016

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1 Q. Mr. Wislo, have you submitted direct testimony previously in this proceeding on behalf  
2 of the Metropolitan Transportation Authority (“MTA”)?

3 A. Yes I have.

4 Q. What is the purpose of this rebuttal testimony?

5 A. The MTA takes issue with one recommendation made by Mr. Ronald J. Liberty, who  
6 submitted direct testimony on behalf of the New York Power Authority (“NYPA”). In  
7 his direct testimony at pages 5-10, Mr. Liberty addresses Con Edison’s proposal to rectify  
8 the cost imbalance that currently exists in the high tension/low tension demand rates in  
9 the Con Edison PASNY 12 Tariff, Rate 1. As explained in my pre-filed direct testimony,  
10 the Con Edison 2013 Embedded Cost of Service Study (“2013 ECOS”) found that low  
11 tension demand rates are significantly under-recovering their costs, and high tension rates  
12 are over-recovering their costs, and therefore, are subsidizing low tension customers.  
13 The 2010 ECOS reached the same conclusion about the rates in effect at that time.

14 Q. What is Con Edison proposing in this proceeding to address this problem?

15 A. Con Edison is proposing that low tension rates be increased over the next three years to  
16 fully recover their costs to eliminate the subsidy being provided by high tension rates. In  
17 my pre-filed direct testimony, I explain that, although the MTA believes the existing  
18 subsidy should be eliminated immediately, in one year, because it is not cost-justified, the  
19 MTA understands that a three-year phase-in would mitigate the impact to low tension  
20 customers.

21 Q. Did any party oppose Con Edison’s proposed three-year phase-in in their direct  
22 testimony, other than the issue you will address that is raised in Mr. Liberty’s testimony?

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1 A. Not that I am aware of. The City of New York (“NYC”), which I understand has high  
2 tension and low tension accounts, supports the three-year phase-in. In this regard, NYC  
3 witness Stevens stated in his pre-filed direct testimony that “...[R]ecognition of the cost  
4 differentials is appropriate...” and the three-year phase-in “...makes progress toward  
5 better reflection of costs...” (Stevens Direct, P. 28, L. 1, 7).

6 The Department of Public Service Staff (“DPS Staff”) Electric Rate Panel  
7 (“ERP”) also supports the three-year phase-in (Exhibit\_\_ (SDW-2)).

8 Q. How large is the cost disparity between low and high tension service according to the  
9 2013 ECOS?

10 A. According to the 2013 ECOS, the cost to provide low tension service is \$8.03/KW higher  
11 than to provide high tension service (Exhibit\_\_ (ERP-1, Sch 1)).

12 Q. What would be the first year increase to the existing low tension rate under the three-year  
13 phase-in, if the full Con Edison rate request was authorized by the Commission?

14 A. According to Con Edison, the existing low tension rate of \$22.69/KW would be increased  
15 to \$25.58/KW and the high tension rate would be increased from \$20.43/KW to  
16 \$21.11/KW (Exhibit \_\_ (ERP-2) Sch. 4 Table No.1). This represents an increase to the  
17 low tension rate of \$2.89/KW, or about 12.7%, of which 9.8% represents the overall  
18 revenue requirement increase Con Edison seeks to recover from NYPA. The remaining  
19 2.9% can be attributed to the first year adjustment of the high tension/low tension cost  
20 disparity.

21 Q. Does NYPA support the three-year phase-in in this circumstance?

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1 A. Yes. According to Mr. Liberty, "...[S]hould the Commission allow Con Edison a revenue  
2 increase close to the amount it is seeking, the Commission should accept Con Edison's  
3 proffered phase-in for the high tension and low tension allocation differential" (P. 9, L.1).

4 Q. Then where does the MTA disagree with NYPA?

5 A. Mr. Liberty goes on to recommend that if the Commission rejects a rate increase or  
6 approves a relatively small one, or even if the Commission approves a rate increase that  
7 is simply "...less than what was proposed in their [Con Edison's ] filing..." he would  
8 recommend a four-year phase-in (P. 9, L. 6, 19). According to Mr. Liberty, in a  
9 circumstance of a small or no rate increase, the rate design that would result would be  
10 inequitable and disproportionate because the first year of a three-year phase-in would  
11 raise rates for low tension customers to recover their cost deficiency by one-third, while  
12 lowering rates for high tension customers (P. 9, L. 11). The 4.7% increase to low tension  
13 rates in the hypothetical circumstance posited by Mr. Liberty (a 2% NYPA T&D average  
14 increase), constitutes an increase of \$1.06 per KW and is of course, much less than the  
15 \$2.89 (12.7%) increase to low tension rates requested by Con Edison. Nevertheless,  
16 when the authorized rate increase is almost 3 times as large, recovering a larger portion of  
17 the cost differential (\$2.89 ) through a three - rather than four year - phase-in, is somehow  
18 more equitable according to NYPA, than when the authorized rate request is much  
19 smaller (\$1.06 according to the NYPA hypothetical 2% rate increase). But because  
20 NYPA apparently does not want to see any of its governmental customers experience a  
21 rate decrease while other governmental customers see a rate increase, however cost-  
22 justified, it seeks to prolong the phase-in period and the current subsidy.

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1 Q. What do you make of the alleged average increases Mr. Liberty's cites in his testimony at  
2 page 9, lines 7-10, comparing a three-year versus four-year phase-in?

3 A. Based upon a workpaper the MTA obtained in discovery from NYPA (Exhibit \_\_  
4 (SDW-3)), the percentage increases Mr. Liberty cites are based on a construct of  
5 weighted averages of the high tension and low tension rates within the PASNY 12 Rate 1  
6 Tariff. The averaging process he uses to blend the high tension/low tension rates into  
7 aggregated rates, however, fails to reflect the cost responsibility for the deficiency in low  
8 tension rates. We understand that it is appropriate ratemaking to consider the magnitude  
9 of a proposed rate increase to a particular customer class relative to the system average  
10 proposed rate increase, making sure that no one service classification is assigned a  
11 disproportionate share of the revenue requirement increase. However, within the context  
12 of correcting a disparity in rates to better reflect cost responsibility, Mr. Liberty's  
13 comparisons of a hypothetical high tension rate increase to an increase in the average  
14 increase of the low and high tension rates to justify a longer phase-in is another step  
15 away from cost-based ratemaking. As it is, the three-year phase-in delays the assignment  
16 of proper cost responsibility to low tension customers and NYPA's use of "averaging"  
17 masks the low tension cost responsibility even further. Of course there will be a higher  
18 increase to low tension customers as the cost disparity is being corrected. But it is not  
19 reasonable for NYPA to employ a Commission proceeding to improperly design Con  
20 Edison rates in order to implement NYPA ratemaking preferences for the governmental  
21 customers.

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1           In essence, this weighted average rate is a rate that nobody ever sees or pays. In  
2 contrast, the MTA, and I would think, other customers, would want to consider the  
3 proposed rate increases for their tariff rates and how these increases impact their energy  
4 bill, not how these increases compare to an increase in some hypothetical average.

5 Q.    Can you compare what the low tension rate increase would be under the proposals filed  
6 by Con Edison, DPS Staff and the 2% hypothetical posited by Mr. Liberty?

7 A.    Based upon the filing by Con Edison, the proposed low tension tariff rate increase is  
8 \$2.89 per KW under Con Edison's full rate request. The high tension rate, as noted  
9 above, would be raised \$.68/KW. Under NYPA's hypothetical 2% average T&D rate  
10 increase, the low tension rate increase would be \$1.06 per KW, approximately a 4.6%  
11 increase, and the high tension rate would decrease by \$0.84, a decrease of about 4.1%.  
12 The DPS Staff proposes an increase to the low tension rate, under its proposed rate  
13 increase, of about \$0.93, or 4.1%, while at the same time decreasing the high tension rate  
14 by \$0.93, or 4.6% (Exhibit \_\_ (SDW- 2)). For NYPA to advocate that an increase of  
15 \$1.06 to the low tension rate needs to be applied over 4 years, while at the same time it is  
16 comfortable with a much higher \$2.89 increase being applied over 3 years, appears  
17 illogical.

18 Q.    Does the MTA oppose NYPA's proposal?

19 A.    Yes we do. The Commission should not be setting Con Edison demand rates based on  
20 how NYPA might want to manage increases to its customers; rather cost causation  
21 principles should govern, with efforts to moderate where needed. While the MTA would  
22 benefit most from a one-year transition, eliminating the current subsidy, and causing an

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1 approximate 17.64% increase (7.84% increase in one year related to elimination of the  
2 high tension/low tension differential, (Con Edison Response to NYECC-3 51(a)  
3 Exhibit \_\_ (SDW-1)), in addition to the 9.8% revenue increase Con Edison is requesting  
4 from NYPA), as I stated in my direct testimony, the MTA would agree to the three-year  
5 phase-in in the interest of moderation. Since there is no dispute about the cost  
6 differential in the rates, NYPA's proposal to delay the rate reconciliation by an additional  
7 year is simply continuing an acknowledged, existing inequity. NYPA has informed the  
8 MTA that it began charging the full Con Edison high tension/low tension rates to its  
9 governmental customers in March of 2014, thus the MTA has been overpaying for at  
10 least the last two years. NYPA's low tension customers have received this subsidy for at  
11 least this period. In saying that a three year phase-in is too onerous for the prior  
12 beneficiaries, NYPA is also saying that a three-year phase-in is too generous to the prior  
13 benefactors.

14 Q. Do you have any information which would indicate what the first year increase of the  
15 three-year-phase in would be as a percentage of the total supply and demand bill for all  
16 NYPA low tension accounts?

17 A. Based on the NYPA Response to MTA's 2-3 (Exhibit\_\_ (SDW-4)), in 2014, low tension  
18 customers' demand was 14,297,732 KW, and their overall energy bill, including supply,  
19 was \$979,722,081. The \$2.89 T&D rate increase requested by Con Edison would result  
20 in approximately \$41 million of additional delivery payments by low tension customers,  
21 or a 4.2% bill impact, only part of which would be related to the elimination of the high

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1           tension / low tension differential. In contrast, the \$0.93 T&D low tension rate increase  
2           proposed by the DPS Staff would result in approximately \$13 million of additional  
3           NYPA customer delivery payments, or a 1.4% overall (delivery and supply) bill impact,  
4           only a portion of which would be related to the elimination of the high tension/low  
5           tension differential. Accordingly, the MTA believes a three-year phase-in, in the  
6           circumstance of an authorized rate increase equal to or lower than the Con Edison full  
7           rate request, is clearly equitable.

8    Q.     Does this conclude your rebuttal testimony at this time?

9    A.     Yes it does.