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***Electronic Delivery***

October 13, 2016

Hon. Kathleen H. Burgess
Secretary to the Commission
New York State Public Service Commission
Three Empire State Plaza
Albany, NY 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.

Dear Secretary Burgess:

The Metropolitan Transportation Authority ("MTA") hereby submits this Statement in Support of the Joint Proposal ("JP") filed with the New York Public Service Commission ("Commission") on September 20, 2016, in the above-captioned rate proceeding. The JP represents a comprehensive resolution to the issues that arose in the instant electric rate proceeding and satisfies the Commission's settlement guidelines that are used to determine whether a settlement is in the public interest.[1] The Commission should adopt the JP without modification.

The MTA, it's subsidiary and affiliate agencies, operate North America's largest public transportation network, serving a population of 15.2 million people in the 5,000 square mile area fanning out from New York City through Long Island, southeastern New York State, and Connecticut. The MTA operates more subway and commuter rail cars than the rest of the

[1] *See* Cases 90-M-0255 *et al*., *Proceeding on Motion of the Commission Concerning its Procedures for Settlement and Stipulation Agreements*, Opinion No. 92-2, Order and Resolution Adopting Settlement Procedures and Guidelines (Mar. 24, 1992), Appendix B ("Settlement Guidelines").

country's subways and railroads combined. It is a high-volume electric consumer in the Con Edison service territory that relies upon electricity for many of its operations to transport the public.

The MTA purchases its energy supply from the New York Power Authority ("NYPA"). NYPA in turn purchases delivery service from the Consolidated Edison Company of New York, Inc. ("Con Edison") pursuant to its PASNY No. 12 tariff. Rate 1 of this tariff provides, *inter alia*, delivery rates for high tension and low tension accounts. The MTA is the largest NYPA customer of high tension delivery service in Con Edison's service territory. As an example, in 2014, the MTA was billed for 6.9 million kilowatts and 2.9 billion kilowatt-hours by NYPA. Amongst the NYPA customers, the MTA purchases approximately 96% of the total high tension delivery service that NYPA purchases from Con Edison.[2] The MTA operates its own 294 substations that receive high-tension electricity delivered from the Con Edison system. The MTA steps down the electricity to voltages required to operate the subways and railroads (*e.g.*, MetroNorth, Long Island Railroad) at its own expense.

Con Edison's 2013 embedded cost-of-service ("ECOS") study showed that the cost of delivering power to high tension customers is 33% less expensive than delivering to low tension customers (Con Edison Electric Rate Panel Direct, p. 37, L. 10). High tension customers are less expensive to serve because they do not require transformers and other equipment necessary to step down and deliver power (Direct Testimony of Steven D. Wislo, p.4, L. 1–7, attached hereto). Low tension customers, however, only pay approximately 10% more than high tension customers under the current Con Edison delivery rates under the PASNY 12 Rate 1 tariff (Wislo Direct, p. 4, L. 8–11). High tension customers, therefore, have been subsidizing low tension customers by "essentially paying twice for the same service: once to support their own substations and then again to partially support substations for low tension accounts" (Wislo Direct, p. 4, L. 10–14). The MTA overpaid more than $26 million during 2013 and 2014 due to this cost allocation discrepancy (Wislo Direct, p. 5, L. 10–14).

Accordingly, the MTA filed in this proceeding the aforementioned direct testimony, as well as rebuttal testimony (Rebuttal Testimony of Steven D. Wislo) (attached hereto) and participated in the settlement conferences. The MTA expressed serious concern over the differentials between high tension and low tension customers in regards to the existing cost recovery and rate design.

In its direct testimony, Con Edison proposed to correct this cost allocation discrepancy by allocating the cost differential to low tension rates, but gradually over the next three years in order to limit bill impacts to low tension customers. Although the ECOS study justified a one-year realignment of costs to rates, the MTA acknowledged that cost impacts should be mitigated and, therefore, supported Con Edison's proposed three-year phase-in (Wislo Direct, p. 5, L. 7).

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[2] The MTA's percentage of the high tension purchases from NYPA is based upon additional information provided by NYPA. *See* NYPA Response to MTA 2-3, attached hereto. This figure updates the percentages in the MTA's direct testimony (Wislo Direct, p. 5, L. 10–14).

DPS Staff and the City of New York also supported the three-year phase-in to correct the cost allocation discrepancy and it was eventually incorporated into the JP (JP at 55, Appendix 19).

According to Commission's Settlement Guidelines, a settlement should balance the interests of ratepayers and investors and the long-term viability of a utility (Settlement Guidelines at 8). In addition, a settlement "should produce results that were within the range of reasonable results that would likely have arisen from a Commission decision in a litigated proceeding" (*Id.*). A settlement should also be consistent with Commission and State environmental, social, and economic policies (*Id.*).

The JP's realignment of costs and rates for the PASNY 12 Rate 1 high tension/low tension delivery rates is consistent with the Commission's Settlement Guidelines. Our review of the record indicates that no party questioned the cost discrepancy between high tension and low tension delivery service that was identified in the ECOS. Aligning rates with costs is a fundamental principle of setting electric rates in New York State. Furthermore, phasing-in the cost differential over three years is consistent with Commission ratemaking principles to mitigate impacts on customers while balancing the interests of the customers who are entitled to have their rates reflect their cost of service.

Based on the statements made at the September 21, 2016 pre-hearing conference, and subsequent statements by parties via electronic mail, it does not appear that any party opposes this rate design provision of the JP. Accordingly, considering the evidentiary support provided by the MTA, Con Edison, DPS Staff, and the City of New York, and the lack of opposition from other parties, in testimony and subsequent thereto, the proposed PASNY 12 Rate 1 high tension/low tension rate design provision contained in the JP is undoubtedly within the range of reasonable results that likely would have arisen from a Commission decision based upon a litigated proceeding. Although one or more parties may argue for a different cost allocation amongst service classes in the ECOS, that argument (which the MTA will address based on the filings to be made) has no bearing on the validity of the JP's provision changing the rate design for high tension/low tension delivery service in Rate 1 of PASNY 12.

The JP, as it pertains to electric service (the MTA takes no position with respect to the JP's provisions concerning gas service), is in the public interest and should be adopted.

Respectfully submitted,

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By: /s/
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Attachments
cc: Hon. Ben Wiles, Administrative Law Judge
Hon. Dakin D. Lecakes, Administrative Law Judge
Service List