

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.
- 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 16-E-0196 – Tariff filing by Consolidated Edison Company of New York, Inc. to revise General Rule 20 Standby Service contained in its electric tariff schedules, P.S.C. Nos. 10 and 12.

**NEW YORK POWER AUTHORITY STATEMENT IN SUPPORT OF JOINT
PROPOSAL**

Justin E. Driscoll
Executive Vice President and General Counsel
New York Power Authority

Attorneys of Record:

Gary D. Levenson
David J. Appelbaum
Andrew F. Neuman

New York Power Authority
123 Main Street
White Plains, NY 10601

October 13, 2016

INTRODUCTION

The New York Power Authority (“NYPA”) hereby files these comments in support of the Joint Proposal (“JP”) filed with the New York Public Service Commission (“Commission”) on September 20, 2016. NYPA has been active in these proceedings principally in relation to the electric service issues raised by Consolidated Edison Company of New York Inc. (“Con Edison” or “Company”) in cases 16-E-0060 and 16-E-0196.

NYPA is a corporate municipal instrumentality and a political subdivision of the State, authorized under the New York Public Authorities Law to serve as the full requirements power supplier to a number of governmental entities in the New York City metropolitan area. NYPA’s interest in these proceedings arises from NYPA’s payment of Con Edison’s delivery charges which it passes through to its governmental customers. NYPA’s customers include the City of New York, County of Westchester, Metropolitan Transportation Authority, Port Authority of New York and New Jersey, New York City Housing Authority and the New York State Office of General Services, among others. NYPA seeks to ensure that these state, county and municipal agencies performing vital services for public electric rates that are just and reasonable. NYPA also sells electricity to numerous business customers in the Company’s service territory under the ReCharge New York power program.

The JP was filed after an extensive settlement negotiation process. With respect to the issues raised by NYPA in this proceeding, the JP represents a fair and reasonable outcome which arose from a compromise of NYPA’s litigation positions, as described in the comments below. The Commission should approve the JP in full and without modification.

COMMENTS

Electric Service Revenue Allocation

I. NYPA Service Class “Deficiency”

Based on the results of its 2013 Embedded Cost of Service (“ECOS”) study, the JP would impose a \$5.2 million “deficiency” charge on the NYPA service class. Under Con Edison’s filed case, only one-third of these costs would be recovered in 2017, with the remaining two-thirds over subsequent years. NYPA supported this proposal in its pre-filed testimony. In settlement, Con Edison’s original one-year rate filing has been expanded to a three-year rate period, and this \$5.2 million charge would be phased-in equally over these three years.

NYPA accepts the JP’s treatment of the NYPA deficiency. Based on the ECOS and revenue requirement allocation to NYPA customers, the system average and NYPA base rate Transmission and Distribution (“T&D”) increases are very similar. In Rate Year 1, NYPA’s customers would sustain a 4.65 percent T&D rate increase, while the system average is 4.68 percent. This similarity continues in Rate Year 2, where the NYPA class increase is 3.9 percent compared to 3.7% for the total Con Edison system, while in Rate Year 3, the T&D rate increases for NYPA class and the Con Edison system are 3.6 percent. JP Appendix 19, Table 1, p. 1 of 1. NYPA believes that the 2013 ECOS developed a fair result for the NYPA customers.¹

II. Embedded Cost of Service Study

In general, NYPA supports the 2013 ECOS. NYPA believes that the 2013 ECOS, including the selection of its allocation methodologies, is based on reasonable and well established cost of service principles. The implied lack of precision of the ECOS is reflected in

¹ NYPA notes that the JP also resolved the overall revenue requirement by lowering the Company’s proposed rate increase from 9.5 percent to 3.9 percent in 2017. Instead of a one-year plan as the Company had originally proposed, the JP encompasses a roughly a 12% cumulative increase over a three year rate plan, on a delivery basis. This change helps to minimize the cost increase to be imposed on NYPA’s customers.

the application of the +/-10 percent tolerance band applied to the system rate of return. The tolerance band also serves to mitigate impacts of occasional changes and refinements to the process. For example, the previous 2010 ECOS introduced a change to certain Low Tension allocators (*e.g.*, services costs). Similarly, the updated 2013 ECOS incorporates a customer component to High Tension costs. While the introduction of specific allocators entails some subjectivity, the underlying principles of the 2013 ECOS study appear to be based on reasoned judgment and should be accepted by the Commission.

While NYPA is encouraged by advancements made in the 2013 ECOS, we look forward to an even more accurate ECOS study made possible by advanced metering infrastructure (“AMI”). Through current sampling techniques, the confidence level in the instant ECOS has a confidence level of 90 percent with an error of +/- 10 percent. With the application of AMI to a new ECOS, NYPA expects to see a superior measure of peak loads, and a more accurate sharing of costs for the Con Edison electric system. Therefore, when AMI technology becomes viable on the Con Edison system, NYPA expects to see an increased level of accuracy in future Con Edison ECOS studies.

III. High Tension/Low Tension Differential

NYPA supports the JP’s reallocation of costs between the High Tension (“HT”) and Low Tension (“LT”) system for NYPA-related service. Customers taking service directly from the HT system are not allocated LT system costs, whereas LT users’ rates reflect both the HT and LT system costs. Currently, the HT/LT rate ratio for NYPA’s “Rate I” customers is 90 percent. The 2013 ECOS, however, determined that the target ratio of HT rates to LT rates should be 69 percent. Consistent with Con Edison’s filing, and in the interest of gradualism in rates, the JP would phase-in to the approximate target ratio over a period of three years. This proposal for

higher LT rate and lower HT rates is revenue-neutral, and will not affect the overall proposed rate increase. See JP Appendix 19, Table 3, p. 1 of 2. NYPA believes this HT/LT reallocation represents a necessary and equitable correction for HT customers, and to the extent possible, minimizes the impact to LT customers.

NYPA views that the outcomes of the 2013 Con Edison ECOS result in fair and reasonable rates, and that they should be accepted by the Commission without modification.

PJM OATT Charges

In his pre-filed testimony on behalf of NYPA, Mr. Ronald J. Liberty explained that the allocation of the costs from the 1000 MW of transmission service Con Edison procures under the Open Access Transmission Tariff of the PJM Interconnection, L.L.C. (“PJM OATT”) to NYPA would be inappropriate. They are the same reasons that NYPA opposed such allocation in Case 13-E-0030. Mr. Liberty submitted an addendum to his testimony consisting of portions of his 2013 testimony because the reasoning applicable in the previous proceeding applies with equal force today: (1) NYPA’s governmental customers have no need for the PJM transmission service as NYPA already provides reliable electric service to them; (2) NYPA’s resources provide electric reliability benefits for all of New York City electric consumers without any compensation from general Con Edison rate classes; and (3) Con Edison and NYPA, by contract, each continue to independently provide the supply requirements for their customers. Liberty Direct at 11, 16-19. Also, Mr. Liberty pointed out that due to its grandfathered transmission rights, NYPA made virtually no use of the lower-cost energy that Con Edison wheeled through the PJM transmission system into the Company’s service territory which helped lower prices in the New York City region. Through these transmission rights, NYPA is able to purchase energy

at effectively “upstate” prices for the benefit of its governmental load in New York City. Liberty Direct at 17. The PJM OATT transmission contract will expire on April 30, 2017.

NYPA supports the treatment of PJM OATT costs as applied to NYPA customers under the instant JP. NYPA’s allocation of costs under the PJM OATT will be limited to \$1.533 million, which represents the pro-rated value of the previous JP’s \$4.6 million cap for the four months remaining on the PJM OATT contract in rate year 2017. JP at 11-12. This cap provides value to NYPA and its customers because transmission expenditures in PJM could increase during the course of the rate plan covered by the JP. The JP provides NYPA customers with some protection in this regard. In sum, NYPA believes this settlement on the allocation and recovery of PJM OATT service costs is fair and reasonable, and should be approved by the Commission without modification.

Multi-Party Standby Offset Tariff

On April 4, 2016, Con Edison filed revisions to its standby service multi-party offset tariff with the Commission. The multi-party offset tariff stemmed from a Commission-ordered collaborative in Case No. 13-E-0030 to consider the expansion of the standby offset tariff to provide energy for multiple instead of single customers.

NYPA disagreed with Con Edison’s tariff revisions. First, it narrowly defined the definition of “premises,” as it would require that a generating facility and recipient account be located in the same building. This would be inexplicably different from Con Edison’s definition of “premises” under the single-party offset tariff, and in limiting customer engagement, would stifle the adoption of microgrids and distributed energy resources (“DER”). Second, Con Edison proposed tariff language in General Rule 20.2.1(B)(8)(a)(1) that would require NYPA to

“coordinate the interconnection and operation of the generation facility” on behalf of its customers with the Company. This would be entirely unfeasible, as NYPA has no control over its customers’ premises should they install DERs via a third-party, and would also be contrary to the Commission’s vision for promoting competition for DER deployment and services as well as empowering and enfranchising customers’ choice. NYPA filed comments with the Commission to this effect in docket 16-E-0196 on June 13, 2016. The City of New York also filed comments critical of the Company’s proposed tariff revisions concerning many of the same issues, as well.

As part of the negotiated settlement, Con Edison agreed to make certain tariff changes to the satisfaction of NYPA and its customers. Namely, the Company will change its tariff in the following ways: i) the definition of “premises” will be expanded to permit customers in multiple buildings to participate in the multi-party offset tariff if each of the customers is connected to the generating facility by a thermal loop (delivering steam, hot water, or chilled water); ii) the NYPA customer, or its representative will be responsible for coordinating the interconnection and operation of the generating facility with the Company, not NYPA; and iii) the NYPA customer will submit the multi-party offset form to the Company. JP at 63-64. We believe that this settlement position represents a fair and reasonable outcome both for NYPA and its customers, and that it should be adopted by the Commission.

CONCLUSION

For the reasons set forth above, the JP is in the public interest, and the Commission should adopt it in full and without modification.

Respectfully submitted,

/s/David J. Appelbaum

David J. Appelbaum

New York Power Authority

123 Main Street

White Plains, NY 10601

David.Appelbaum@nypa.gov

www.nypa.gov

cc: Hon. Ben Wiles, Administrative Law Judge
Hon. Dakin D. Lecakes, Administrative Law Judge
Service List