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September 28, 2007

VIA E-MAIL AND HAND DELIVERY

Hon. Jaclyn Brilling
Secretary
State of New York Public Service Commission
Three Empire State Plaza, 14th Floor
Albany, New York 12223-1350

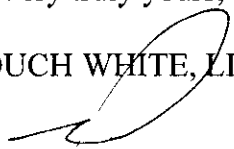
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ALBANY

Re: Case 07-E-0523 – 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 Brilling:

Please find enclosed an original and five (5) copies of the Rebuttal Testimony of Mr. Paul Chernick filed on behalf of the City of New York in the above-referenced proceeding. A copy of the aforementioned Rebuttal Testimony are being served on the active parties list via e-mail.

Please time-stamp the extra copy of the testimony and return it to our messenger. Please call me if you have any questions.

Very truly yours,

COUCH WHITE, LLP
Moshe H. Bondar

MHB/dp
Enclosures
Hon. William Bouteiller (via e-mail and Hand Delivery)
Hon. Michelle L. Phillips (via e-mail and Hand Delivery)
Hon. Rudy Stegemoeller (via e-mail and Hand Delivery)
Active Parties List (via e-mail)
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**STATE OF NEW YORK
BEFORE THE PUBLIC SERVICE COMMISSION**

Con Edison Electric Rate Case)

Case No. 07-E-0523

**REBUTTAL TESTIMONY OF
PAUL CHERNICK
ON BEHALF OF
THE CITY OF NEW YORK**

Resource Insight, Inc.

SEPTEMBER 28, 2007

1 **Q: Please identify yourself.**

2 A: My name is Paul Chernick. I am providing this rebuttal testimony on behalf of
3 the City of New York (“the City”). I previously filed direct testimony in this
4 proceeding on behalf of the City.

5 **Q: What is the purpose of your rebuttal testimony?**

6 A: I respond below to various witnesses who addressed Con Edison’s advanced
7 metering initiative (“AMI”) in their pre-filed direct testimony.

8 **Q: To which witnesses are you responding?**

9 A: I am responding to the testimony of Staff Witness Michael Rieder and CPB
10 Witness Douglas Elfner. Mr. Rieder (p. 27) recommends that Con Edison’s
11 entire AMI plan be postponed pending a decision in the Commission’s generic
12 AMI proceeding. Mr. Elfner (p. 10) also recommends that Con Edison’s AMI
13 plan be removed from the revenue requirement.

14 **Q: Do you agree that Con Edison’s AMI plans should be suspended?**

15 A: No. Increased use of advanced metering technology can provide numerous
16 economic and environmental benefits to customers, as Mr. Elfner (p. 9)
17 concedes. Indeed, the Commission has emphasized the benefits of advanced
18 metering:

19 An advanced metering infrastructure [footnote omitted] and use of new
20 intelligent technology provide the foundation for electric utilities and
21 consumers to make informed choices about energy suppliers and usage on
22 the basis of price and time-of-use of energy. Use of advanced electric
23 metering systems enables electric utilities and consumers to manage the
24 need for additional supplies to satisfy growing demand, to avoid use of
25 high priced fuels, and to moderate pricing volatility associated with use of
26 expensive generation in times of peak demand. (Order in Cases 94-E-0952,
27 00-E-0165, 02-M-0514, August 1 2006, pp. 1–2)

1 PlaNYC also highlights the need to install smart meters as expeditiously as
2 possible in order to reduce energy usage and peak load (PlaNYC, p. 109). As I
3 stated in my direct Testimony, Con Edison should be aggressive in its AMI
4 efforts, implementing cost-effective advanced metering as expeditiously as
5 possible, although it will take more than three years.

6 **Q: Would suspending AMI planning until the decision in the generic**
7 **proceeding be in the public interest?**

8 A: No. We do not know when the generic proceeding will conclude, nor do we
9 know what course of action that proceeding will require. For example, the
10 decision in the generic proceeding may be issued after the decision in this
11 proceeding. Whenever the generic decision is released, it may refer issues to
12 ongoing rate cases or collaboratives. Potentially, the timing of the decisions in
13 these two cases could delay Con Edison's AMI program by years.

14 Rather than simply deferring all action on implementing AMI in this
15 proceeding, the Commission should approve an aggressive, cost-effective AMI
16 plan, subject to adjustments mandated by subsequent determinations in the
17 generic proceeding.

18 **Q: Would it be easy to make up for lost time after suspension of Con Edison's**
19 **AMI program?**

20 A: Probably not. Staff Witness Christopher Graves testifies that National Grid has
21 encountered significant delays in installation of AMI (Graves, p. 9). Mr. Graves
22 also discusses the needs for outreach to and education of hourly-pricing
23 customers (pp. 15–17), and argues (pp. 7–8) for allowing customers with loads
24 over 1 MW the opportunity to review at least six months of hourly load data
25 (including the data for summer months) and smaller customers at least a year,
26 prior to implementation of hourly pricing. These potential and recommended

1 delays in hourly-pricing argue for an early start in Con Edison's metering-
2 installation program.

3 Furthermore, Con Edison intends to test the feasibility and costs of a
4 number of metering and information-management approaches, as well as alter-
5 natives for providing customers with information about their loads. Clearly, Con
6 Edison will need the answers from these demonstration projects to guide later
7 installations; delaying those projects would create far more problems than it
8 could solve.

9 **Q: Mr. Rieder points out that the removal of Con Edison's AMI plan reduces**
10 **the rate year revenue requirement by approximately \$25 million. Is that an**
11 **appropriate justification for suspending the AMI plan?**

12 A: No. While reducing the overall level of Con Edison's rate request is important,
13 reductions should not sacrifice innovations, such as AMI, where those can
14 reduce total customer bills.

15 **Q: Do you have any other concerns arising from the Testimony of Messrs.**
16 **Rieder and Elfner?**

17 A: Yes. It is clear from the intervener Testimony that the roll-out of advanced
18 meters may be somewhat lumpy. Accordingly, to the extent that AMI installa-
19 tions included in rate setting are not achieved during the designated rate year,
20 the associated costs should be deferred to fund the AMI program in subsequent
21 years. Con Edison shareholders should not profit from delay in AMI
22 installations.

23 **Q: Does this conclude your rebuttal?**

24 A: Yes.