

BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of

CASE 06-G-1332

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

Gas Service Rates

March 2007

Prepared Testimony on Behalf of
Consumer Power Advocates

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1 **Q. Please state your name and business address**

2 **A.** My name is Catherine Luthin, and my business address is 15
3 Walling Place, Avon-By-The-Sea, New Jersey 07717.

4

5 **Q. What is your educational background and experience?**

6 **A.** I am President and Founder of Luthin Associates, an energy
7 management consulting firm established in 1994. I have a Master of
8 Business Administration degree and a Bachelor of Science degree in

Testimony of Catherine M. Luthin, President, Luthin Associates, Inc.
On behalf of: Consumer Power Advocates (CPA)

1 Marketing from Fairleigh Dickinson University. Over the past decade
2 Luthin Associates has advised and represented the interests of public
3 utilities and non-profit and corporate entities on issues ranging from
4 utility deregulation to strategic energy planning and management. I am
5 the former executive director of the New York Energy Buyers Forum
6 and currently serve as the regulatory advisor to Consumer Power
7 Advocates (CPA), an association of large, non-profit institutions whose
8 primary goal is to decrease the cost of energy by focusing on
9 regulatory decisions and programs which impact energy consumers in
10 New York City. Member organizations include:

- 11 • Columbia University
- 12 • Continuum Health Partners
- 13 • Fordham University
- 14 • Mount Sinai Medical Center
- 15 • Memorial Sloan-Kettering
- 16 • NYU Medical Center
- 17 • New York University
- 18 • St. Vincent's Hospital

19
20 CPA has represented our members at the New York State Legislature,
21 New York Independent System Operator (NYISO), New York State
22 Public Service Commission and the Federal Energy Regulatory
23 Commission (FERC) since 2002. I have filed testimony before
24 proceedings of the Energy Committee of the New York State

1 Assembly, proceedings of FERC, and proceedings of the New York
2 City Council. I am a member of Mayor Bloomberg's New York City
3 Energy Policy Task Force, which developed a comprehensive plan for
4 New York City's energy and infrastructure.

5 **Q. Have you previously testified before the New York State Public**
6 **Service Commission?**

7 **A.** I presented testimony in case No. 04-E-0572, Con Edison electric
8 rates.

9 **Q. What is the purpose this your testimony?**

10 **A.** I will discuss the Company's notification process for gas interruption
11 events, and its effect on customers; I will make a recommendation
12 regarding thefts of service; and I will address the incentives to control
13 lost and unaccounted for gas.

14
15 **Interruptible gas service issues**

16
17 **Q. Is unauthorized use of gas service a serious issue?**

18 **A.** Yes, it is. Unauthorized use of gas violated the terms of service
19 applicable to interruptible customers, and imposes costs on the system
20 that, absent the penalty billing required by the tariff, would necessarily

1 be recovered from other customers. If left unchecked, unauthorized
2 use even could threaten the reliability of the entire distribution system.

3 **Q. In your experience, do interruptible customers take their**
4 **responsibility to follow the direction of Con Edison system**
5 **operators seriously?**

6 A. I find that interruptible customers, if notified correctly, put great effort
7 into complying with interruption orders. In addition to providing
8 equipment, maintaining alternate fuel contracts and training operations
9 staff, they must establish internal and external communications
10 systems to insure compliance.

11 **Q. What internal communications are necessary?**

12 A. Interruptible customers are typically large and complex
13 organizations, such as hospitals and universities. As such, any order
14 from Con Edison to an operations manager must be communicated to
15 all involved in the changeover. These would include boiler operators,
16 but it might also include security personnel, purchasing agents or other
17 administrative staff. As we have seen in the past, many of these
18 people work ordinary business hours, but gas interruptions may be
19 called outside those ordinary business hours when some critical staff
20 may not be available.

1 **Q. What external communications are necessary for the company**
2 **to make in order to implement a gas service interruption?**

3 A. Of course, the Company must notify the gas end-user, and it must
4 also notify the end-user's commodity supplier. In some cases the
5 commodity supplier is Con Edison itself, but more frequently gas
6 customers are purchasing supply from unregulated third party
7 suppliers.

8 **Q. What is the Company's policy on notification of gas**
9 **interruption?**

10 A. According to the Company responses to CPA questions 7, 8 and 9
11 customers, are given a minimum of 6 hours notice of interruptions.
12 Con Edison's policy is to notify the customer at the same time as the
13 customer's supplier is notified.

14 **Q. Has the company followed this policy?**

15 A. Not entirely. Often, customers are not notified until hours after gas
16 suppliers are notified. This may be due to the difference in notification
17 methods. Suppliers are notified by e-mail, while customers are notified
18 by Fax. One can only the imagine the chain of events, including
19 typing, printing, filing, dialing, busy signals and paper jams that lead to
20 this delay.

1 **Q. Is this delay important to customers?**

2 A. Certainly. Like Con Edison, these customers are large organizations
3 with their own internal communication needs. Often, a notification late
4 in the day cannot be acted on until the following business day.

5 Moreover, interrupted customers must notify their fuel oil suppliers to
6 replace the loss of natural gas with fuel oil. Particularly in Con
7 Edison's territory, where on-site oil storage space is limited and traffic
8 congestion is frequently severe, this secondary notification is critical.

9 **Q. Why are suppliers notified by e-mail?**

10 A. According to the Company response to CPA Question 8, suppliers
11 have expressed a preference for that.

12 **Q. Why are customers notified by fax or phone?**

13 A. Fax and phone are older technologies, and have been used to
14 provide notice of interruptions. To my knowledge, customers have not
15 been offered the option of updating to e-mail notification.

16 **Q. What do you propose here?**

17 A. Con Edison must take the lead in developing notification processes
18 that are appropriate for each interruptible customer. While all
19 customers are concerned with reliability, and certainly interruptible
20 customers have contractually agreed to do more than any other

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1 customers, the principal responsibility for system reliability remains
2 with Con Edison. To that end, Con Edison should develop real
3 working relationships with the largest interruptible customers. These
4 customers contribute significant amount of revenue to the company, in
5 addition to providing an essential reliability benefit. Some of them use
6 in excess of one million therms at a cost of hundreds of thousands of
7 dollars. In a competitive business environment, one would expect an
8 account representative to be assigned to each account, and for that
9 representative to become familiar with the customer's organization and
10 decision makers. Sadly, that is not the case with Con Edison and its
11 interruptible gas customers.

12 **Q. What do you recommend?**

13 A. As in the last steam rate case, I recommend that Con Edison
14 develop a customer representative program to establish
15 communication and to identify the needs of its interruptible customers.

16 **Q. What other changes do you propose here?**

17 A. I propose that Con Edison's authority to impose penalty rates on
18 non-compliant customers be suspended for a number of business
19 hours equal to the delay between the notice to suppliers and the notice
20 to customers, regardless of the method of notice selected by the

1 customer. Further, gas used during that period should not be treated
2 as unauthorized use, nor should such a delay be construed to be a
3 failure to comply with an interruption order for purposes of imposing
4 any sanction currently in the tariff.

5 **Q. Does this place a burden on Con Edison's other customer for**
6 **the benefit of non-compliant customers?**

7 A. It should not. It is our belief that customers make every effort to
8 comply, but it is simply difficult for two large organizations to act
9 together promptly. The current Con Edison policy is the correct one,
10 but as we have shown, it is not always followed perfectly. This minor
11 change will only provide a balanced interest in following that policy
12 between Con Edison and its customers.

13 **Q. Why is the addition of a few hours delay in imposing penalties,**
14 **and even then only under certain circumstances, important to**
15 **customers?**

16 A. It is important because the penalties are large, and include the loss
17 of interruptible service for up to one year.

18 **Q. Can Con Edison comply with this?**

1 A. This only requires that it comply with its own policy, as noted above.
2 The experience of the interruption of February 13, 2007 shows that the
3 Company is able to comply with that policy.

4 **Theft of service**

5 **Q. Have you examined the Company's recent theft of services**
6 **experience?**

7 A. Yes. According to the Company's response to CPA Question 11,
8 revenue related to thefts of service declined from \$1.1 million in 2004
9 to \$321 thousand in 2006. The number of discovered thefts has
10 declined continuously from 177 to 104 over the same period.

11 **Q. If thefts are declining, why are you concerned?**

12 A. I am concerned because it is only the discovery of theft that has
13 declined. There is no reason to believe that the actual losses or the
14 number of theft attempts, which by their very nature must be
15 concealed, have declined.

16 **Q. What do you propose?**

17 A. I propose that a revenue amount equal to the average theft
18 recovery in the last three years be imputed in this case. That amount
19 is \$530,000.

20 **Lost and unaccounted for gas**

1 **Q. What is the Company's proposal for recovery of the cost of**
2 **Lost and Unaccounted for Gas?**

3 A. The Company has proposed to eliminate the incentive to minimize
4 losses negotiated in the last case. Presumably, it will restore the full
5 recovery of the cost of losses through retail rates.

6 **Q. What is the current recovery program?**

7 A. As described in the Joint Proposal, the lost factor used to develop
8 the Factor of Adjustment Ratio remains constant unless actual (as
9 measured by a three year average) differ by more than 0.5%. Within
10 that deadband, the Company would either over- or under-cover the
11 cost of losses.

12 **Q. Would you characterize this as a penalty, as did Company**
13 **Witness Rasmussen?**

14 A. No, I would not. The company has an equal opportunity to either
15 over-recover or under-recover its losses, a cost over which it has at
16 least some control.

17 **Q. Would you say that this incentive has been a success?**

18 A. Certainly. Since the implementation of this incentive, losses have
19 declined from 3.00% to 1.93% currently. This results in a direct
20 savings for customers.

1 **Q. What do you recommend?**

2 A. I recommend that the current mechanism be extended and updated
3 by the use of the most recent three year average losses. The most
4 recent three year average is 2.04%, but that number should be
5 adjusted for the data for the 12 months ending August 31, 2007, which
6 should be available before the rates developed in this case are made
7 effective

8 **Q. Does this complete your pre-filed testimony?**

9 A. Yes, it does.

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