

BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of

Cases 13-E-0030, 13-G-0031

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

Electric and Gas Rates

June 2013

Rebuttal Testimony of

JOHN J. DOWLING, P.E.
Director-Regulatory Issues
Luthin Associates
535 Main Street
Allenhurst, New Jersey 07711

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

2 A. My name is John J. Dowling, and my business address is 535 Main Street,
3 Allenhurst, New Jersey 07711.

4

5 **Q. Have you previously submitted testimony in this proceeding?**

6 A. Yes.

7

8 **Q. What is the purpose of this testimony?**

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1 A. My purpose is to rebut the Staff Gas Rate Panel with regard to its proposal to
2 eliminate two and three year term Rate 2 interruptible gas contracts, and to
3 express conditional support for the proposal by New York City Witness Arnett to
4 include certain small businesses in the BIR program.

5

6 **Rate 2 Interruptible Rates**

7 **Q. What is the impact of eliminating multi-year contracts for Rate 2**
8 **customers?**

9 A. The impact is twofold. First, customers will have fewer choices and less rate
10 certainty for planning and budget purposes. This is important because some large
11 customers contract for gas supply for multi-year terms. Second, there will be
12 significant bill impacts for those customers who now choose multi-year terms.

13

14 **Q. What is the rate impact?**

15 A. For a two year contract, the rate would increase from 7.5 cents to 8 cents,
16 almost 7 percent. For a three year contract, the increase would be more than 13
17 percent. Considering that Staff has proposed a rate decrease for firm customers,
18 these bill impacts are unacceptable.

19

20 **Q. Why did the Panel recommend eliminating the use of multi-year contracts**
21 **for Rate 2 interruptible service?**

22 A. The Panel's testimony (page 35, beginning at line 1) is:

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1 *Because the rate structure is simplified with the elimination of multi-*
2 *year contracts by setting one single rate for all Rate 2 customers.*
3 *There is also a benefit to Rate 2 customers by increasing their*
4 *flexibility by not being locked into a contract, and continuing to have a*
5 *rate that is changed only during a rate proceeding. Elimination of*
6 *multi-year contracts is not seen as a detriment to the Company or firm*
7 *customers because of the relative stability of Rate 2 customers as*
8 *indicated in the Company's response to DPS-335. While Rate 2*
9 *customers would have more flexibility, it is not expected to cause*
10 *volatility because, as depicted in the Company's response to DPS-334,*
11 *the Rate 2 rate is a significant discount.*
12

13 **Q. Will rate 2 customers benefit if the rate is simplified?**

14 A. No. This simplification will have the adverse rate impact noted above, but by
15 reducing rate certainty, it actually complicates purchasing decisions for many
16 customers.
17

18 **Q. Do you agree with the Panel that this change will not cause volatility?**

19 A. No. Volatility is a result of uncertainty. Interruptible customers who wish to
20 reduce price volatility are able to purchase gas in the market for terms of up to
21 five years. This allows them to negotiate price terms that limit price risk. The
22 rate certainty afforded by multi-year contracts allows buyers to manage total cost
23 volatility effectively. Rather than eliminate long term delivery contracts, the
24 Commission should consider extending the term of Rate 2 contracts to match the
25 term of supply contracts. Otherwise, the uncertainty regarding future delivery

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1 costs caused by the elimination of the long term option will only complicate the
2 analysis of supply alternatives that may include terms of longer than one year.
3 Staff's analysis of the cause of volatility as experienced by customers is incorrect.

4

5 **Q. Does the elimination of multi-year contracts increase flexibility for**
6 **customers?**

7 A. No. Customers are not required to take a multi-year contract. Elimination of
8 extended contracts reduces customer choices and flexibility.

9

10 **Q. Earlier, you testified that the interests of interruptible customers are no**
11 **longer protected by a competitive boiler fuel market, yet here you testify that**
12 **interruptible customers are able to negotiate price terms in the market.**
13 **Have you changed your opinion concerning the competitiveness of fuel**
14 **markets?**

15 A. Not at all. If the fuel oil market were workably competitive, and if No.4 and
16 No.6 fuel oil were not unacceptable for public health and environmental justice
17 reasons, then it is possible that the interests of interruptible customers would be
18 adequately protected. However, in our current circumstance, while the natural
19 gas wholesale market may be competitive, Con Edison is the monopoly provider
20 of delivery services, and that delivery service cannot be avoided. Interruptible
21 customers have no leverage to negotiate lower rates from Con Edison, and all

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1 their alternatives to Con Edison service are burdensome. In that regard,
2 interruptible customers are in the same situation as firm customers.

3

4 **Q. Do you agree that the Company's response to DPS-335 supports the**
5 **elimination of extended contracts?**

6 A. No. DPS-335 is simply a tabulation of Rate 2 sales and revenue, as forecast
7 and as actually experienced, for three years. It shows forecast errors of plus or
8 minus 25 percent and year to year variations in actual revenue of similar
9 magnitude. In my opinion, that does not support the Panel's opinion that sales
10 are stable. In any event, "detriment to the Company or firm customers" is a
11 consideration, but the Commission must also consider the interests of
12 interruptible customers. Staff did not.

13

14 **Q. How does the extended contract add value for Con Edison?**

15 A. Historically, extended contracts guaranteed revenue to the Company. Rate 2
16 customers are required to take Con Edison service for at least 50% of their
17 requirements. That guarantees revenue to the Company by preventing customers
18 from fully switching to fuel oil, and the extended contract adds long term revenue
19 certainty for Con Edison. I infer that the Company no longer believes that
20 interruptible customers have viable alternatives to the use of natural gas from the
21 fact that the Company has deliberately proposed to reduce that revenue certainty.
22 This supports my opinion that interruptible customers no longer have adequate

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1 alternatives to protect their interests from monopoly pricing power exercised by
2 Con Edison.

3

4 **BIR Proposal for Neighborhoods Affected by Superstorm Sandy**

5 **Q. Have you reviewed the proposal by New York City Witness Arnett**
6 **regarding the use of BIR in neighborhoods affected by Superstorm Sandy?**

7 A. Yes. Witness Arnett proposes to allow the use of 5 MW of BIR to provide
8 assistance in those affected communities to small businesses and non-profit
9 organizations with fewer than 10 employees.

10

11 **Q. Do you support that proposal?**

12 A. We support efforts to ensure rapid recovery for the devastation caused by
13 Superstorm Sandy. However, certain aspects of the City's proposal are
14 potentially problematic. Notably, Witness Arnett did not discuss the effect this
15 new BIR allocation would have on current BIR programs, and he did not provide
16 any evidence that the current programs should be reduced in any way.

17 Accordingly, CPA conditionally supports the City's proposal, provided that it is
18 amended to clarify that the 5 MW allocation for small business does not decrease
19 other BIR allocations, including the additional biomedical allocation proposed
20 earlier in this case by CPA Witness Luthin. With that clarification, CPA strongly
21 supports the City's proposal.

22

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1 **Q. Does this complete your rebuttal testimony?**

2 A. Yes.