

BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of

Case 08-E-0539

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

Electric Rates

September 8, 2008

Prepared Testimony of

CATHERINE LUTHIN

Principal

Luthin Associates

15 Walling Place

Avon-By-The-Sea, New Jersey 07717

On behalf of

Consumer Power Advocates.

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 Principal and Founder of Luthin Associates, an energy

7 management consulting firm established in 1994. I have a Master of

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1 Business Administration degree and a Bachelor of Science degree in
2 Marketing from Fairleigh Dickinson University. Over the past decade
3 Luthin Associates has advised and represented the interests of public
4 utilities, non-profit and corporate entities on issues ranging from utility
5 deregulation to strategic energy planning and management. I am the
6 former executive director of the New York Energy Buyers Forum and
7 currently serve as the regulatory advisor to Consumer Power
8 Advocates (CPA), an association of large, non-profit institutions whose
9 primary goal is to decrease the cost of energy by focusing on
10 regulatory decisions and programs which impact energy consumers in
11 New York City. Member organizations include:
12 Fordham University
13 Mount Sinai Medical Center
14 Memorial Sloan-Kettering
15 Beth Israel Medical Center
16 St. Luke's – Roosevelt Hospital Center
17 Long Island College Hospital
18 New York Eye and Ear Infirmary
19 Montefiore Medical Center
20 NYU Medical Center

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1 New York University

2

3 CPA members are typically high load factor customers taking the
4 majority of electric service under Con Edison's SC-9 Time of Day
5 (TOD) rate.

6 CPA has represented our members at the New York State Legislature,
7 New York Independent System Operator (NYISO), New York State
8 Public Service Commission and the Federal Energy Regulatory
9 Commission (FERC) since 2002. I have filed testimony before
10 proceedings of the Energy Committee of the New York State
11 Assembly, proceedings of FERC, and proceedings of the New York
12 City Council. I am a member of Mayor Bloomberg's New York City
13 Energy Policy Task Force, which developed a comprehensive plan for
14 New York City's energy and infrastructure. In addition, I am the co-
15 chairperson of the Con Edison Steam Business Development Group.

16

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

19 **A.** I have presented testimony in Case Nos. 03-G-1671 and 06-G-
20 1332, Con Edison Gas Rates; Case No. 03-S-1672, Con Edison

1 Steam Rates, Case No. 04-E-0572, Con Edison Electric Rates, and
2 most recently in Case No. 07-E-0523, Con Edison Electric Rates.

3

4 **Q. What is the purpose of your testimony?**

5 **A.** I will discuss the economic position of non-profit institutions in New
6 York City and demonstrate the enormous impact such institutions have
7 on New York's overall economy. I will also demonstrate the impact
8 that a sub-sector of this customer class, non-profit biomedical research
9 institutions, contributes significantly to the economic growth of the NYC
10 region. I will propose changes to the Business Incentive Rate
11 program.

12

13 **Q. What do you propose regarding the BIR program?**

14 **A.** CPA is proposing to revise the qualification requirements for non-
15 profit institutions applying for BIR awards. CPA is also requesting that
16 the allocation of 20 megawatts for facilities qualifying under the not-for-
17 profit biomedical set aside be increased to 77 megawatts.

18

19 **Q. Are there other ways that a non-profit organization can qualify**
20 **for the BIR?**

1 **A.** No. The current process excludes tax exempt organizations from
2 qualifying for the BIR. The qualifications require that one of the
3 following conditions be met to qualify for this program: i) The customer
4 is renovating a new or vacant building and is receiving a "...substantial
5 real property tax incentive or energy rebates under the New York City
6 Energy Cost Savings Program." ii) The customer is "... receiving a
7 comprehensive package of economic incentives." Or, iii) the customer
8 is a not-for-profit institution renovating or building a biomedical
9 research facility. The requirements to qualify for BIR incentives under
10 sections i and ii above generally necessitates that the applicant obtain
11 benefits from State or Local government in the form of reduced
12 property taxes and/or sales taxes. Obviously, qualifications based on
13 tax reductions have no meaning to a non-profit, tax-exempt institution,
14 and therefore the requirement is either meaningless or impossible to
15 meet. Regarding section iii, the 20 megawatt cap on available BIR
16 power was met in 2007 and therefore this route for attaining the BIR is
17 no longer available. Therefore, we recommend that for section iii, the
18 non-profit, biomedical research load set aside be increased to 77
19 megawatts. In the cases of applicants attempting to qualify under
20 section i, where a new or vacant building is being renovated, the

1 qualification should be modified to enable non-profit organizations to
2 qualify if the amount of their investment in improving the property is
3 equal to 30% of the assessed value of the property. In the cases of
4 applicants attempting to qualify under section iii, they should be able to
5 qualify if they are receiving low cost financing through an economic
6 development agency such as the New York State Industrial
7 Development Authority or the New York State Dormitory Authority.

8 **Q Have any biomedical facilities recently received BIR incentives**
9 **through a New York City comprehensive package of benefits?**

10 **A.** Yes. A facility did receive an allocation of the BIR under section ii for
11 a comprehensive package of benefits. This organization is a for-profit
12 company.

13

14 **Q. What non-tax related incentives are available to qualify for the**
15 **BIR?**

16 **A.** The tariff is silent on the non-tax incentives that would meet the
17 criteria of section ii. In cases where applicants are applying based on
18 section ii, we recommend that projects should be qualified if they are
19 receiving incentives such as reduced financing rates through agencies
20 such as the Industrial Development Agency or the New York State

1 Dormitory Authority. These agencies issue low interest financing that
2 can provide substantial financial benefits to the projects.

3

4 **Q. If the real property tax benefit criterion for new and vacant**
5 **buildings is eliminated, what criterion would be used to determine**
6 **eligibility for the BIR?**

7 **A.** The most common method of qualifying for the BIR¹ is for an
8 applicant to renovate a new or vacant building and receive a tax
9 benefit from the City of New York under the Industrial and Commercial
10 Incentive Program (ICIP) or the New York City Energy Cost Savings
11 Program. ICIP was created by NYC Local Law 71 in 1984 as
12 authorized by the New York State Real Property Tax law, Title 2-D of
13 Article 4 Sec. 489. This program is managed by the NYC Department
14 of Finance. The current program has been renamed effective July 1,
15 2008 and is called the Industrial and Commercial Abatement Program
16 (ICAP). The basic eligibility requirement of this program is similar in
17 nature to the original program and requires that an applicant must
18 make a minimum required expenditure in building related
19 improvements equal to at least 30 percent of the assessed value of the

¹ Based on anecdotal information from Con Edison economic development staff.

1 property that is being renovated. The attainment of the ICIP benefit is
2 also a criterion for qualifying for the New York City Energy Cost
3 Savings Program. We recommend that these same requirements for
4 meeting ICIP eligibility be applied to non-profit health care and higher
5 education customers who otherwise meet the requirements of the BIR
6 for new and vacant buildings.

7 **Q. What is the economic impact of the non-profit sector?**

8 **A.** In 2007, NYC employment hit an all time peak exceeding the
9 previous high which had occurred in 2000.² Health and educational
10 services, the two major components of the non-profit sector, accounted
11 for 707,000 of the jobs in New York City. This is the largest
12 employment total of the major sectors tracked by the NYS Department
13 of Labor. This sector is 24% larger than the second largest sector,
14 Trade, Transportation and Utilities, which accounted for 571,000 jobs.
15 In total, health and education accounts for 19% of New York City's
16 employment up from 16.7% in 2000. While the Finance and Insurance,
17 Manufacturing, Government, and Information Sectors declined by a
18 total of 130,000 jobs the health and education sector grew by 87,000

² NYS Department of Labor as reported by Crains New York Business, "Employment Since the Job Market Peak, City Facts 2008" NYS Department of Labor, <http://www.crainsnewyork.com/apps/pbcs.dll/article?AID=/20080706/FREE/655389316/1132/cit>

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1 jobs during this period. This was by far the largest gain and twice as
2 high as the second largest sector, Leisure and Hospitality.

3

4 Despite the job growth in these institutions, they have been hard hit
5 economically for several reasons. Hospital expenses continue to
6 increase on a yearly basis. Private universities have been forced to
7 raise tuitions by 6% over last year³ and the rising cost of healthcare
8 insurance has caused premiums to increase by between 10% and 20%
9 a year during the period from 2001 to 2006.⁴ The cost of energy has
10 also skyrocketed with little relief in site.

11

12 New York ranks fifth among the most populous states in its proportion
13 of uninsured residents and remains above the national average. There
14 are 400,000 uninsured children among the 2.6 million uninsured New
15 Yorkers⁵. Hospital expenses have increased every year since 1996
16 and they have increased by 23% in the last five years. The cost of
17 healthcare insurance has risen between 20% and 25% a year. In
18 addition to these basic financial barriers are the impending plans by

³ Crain's New York Business, "City Facts 2008"

⁴ Crain's New York Business, "2007 City Facts," July 2, 2007

⁵ Elliot Spitzer, 2008 New York State Governor's State of the State Address

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1 New York State to reduce public spending. On August 11, 2008,
2 Governor Patterson released a plan to reduce budget gaps over the
3 current and 2009/2010 fiscal year. The overall plan would reduce
4 overall spending by \$2.6 billion but \$1.6 billion of the cuts, 62%, would
5 be targeted on the higher education and healthcare sectors. A
6 significant amount of these cuts would include reductions in Medicaid
7 reimbursements.

8

9 Unfortunately, for the non-profit sector, once their budgets are set, i.e.
10 new tuition rates approved or energy purchases contracted, they can
11 not increase their budgets and must fund the increases from operating
12 costs from the funds set aside for their primary purpose, health and
13 education. Unlike the business sector, they can not pass the additional
14 costs to their clients.

15

16 Anything that reduces the well being of the sector further reduces its
17 ability to contribute to the financial well being of state and local
18 government. Although these institutions do not pay taxes, their
19 employees do, contributing substantially to the tax revenue of the City
20 and State. The development of new facilities and their high financial

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1 multipliers is even more important during a period of low economic
2 growth. While the financial services sector, typically seen as the
3 bedrock of New York's economy, continues to help drive the local
4 economy, this sector continues to lose jobs. According to the NYC
5 Independent Budget Office, 53,000 jobs were lost in this sector from
6 2000 to 2003 and 10,000 financial services jobs have been lost since
7 August 2007. They expect that by 2009, the total loss from 2007 will
8 be 33,000 jobs.⁶ The lost revenue from these job decreases is being
9 replaced by health and higher education. A recent article in Crain's
10 cited how higher education employment has surpassed manufacturing
11 jobs in New York City. Yet the BIR allocation is disproportionately
12 allocated to a declining manufacturing sector rather than growing
13 industries like health and education. The article goes on to point out
14 that universities are significant economic growth engines because they
15 are generating revenue, to a large extent, from students who attend
16 the universities but live outside the region.⁷
17

⁶ Christine Harper, "Wall Street Dismissals, Not Bad as '01, Signal Worst to Come,"
Bloomberg.com, May 27, 2008,

<http://www.bloomberg.com/apps/news?pid=20670001&refer=home&sid=anqd9vuex5bU>

⁷ David, Greg, "Textbook answer to good jobs for NY," Crain's New York Business, August
20- 26, 2007.

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1 Although New York State had once been a center of bioscience
2 funding, its 2007 National Institute of Health funding level of \$1.9 billion
3 has decreased over the past ten years and now trails California and
4 Massachusetts.⁸ During this period, New York's percent of funding
5 has decreased at twice the rate of these two states. One of the
6 reasons for this decline is the loss of top researchers who leave to
7 follow the development of new biotech facilities in other areas. The
8 article that identified these declines goes on to cite how new projects
9 such as those recently completed or under development by Columbia,
10 Weill Cornell, NYU School of Medicine, Memorial Sloan-Kettering,
11 Einstein, Mount Sinai, and Rockefeller are beginning to reverse this
12 trend. Three of these projects are being developed by CPA members.
13 In addition a \$600 million NYS pledge to fund bioresearch will also help
14 grow this industry.

15

16 CPA is well aware of the challenges facing higher education and
17 healthcare as well as how they contribute to the growth of New York.

18 CPA's membership is comprised of non-profit health and education
19 organizations. Among our current and recent members are five of the

⁸ Andrew Marks, "Billions Flow in Science Race," Crain's New York Business, March 24,-
30, 2008, Vol. XXIV, No.12, pp.21 to 22.

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1 six largest hospitals in the region. Exhibit A provides information about
2 the CPA members. The 2007 operating expenses of these institutions
3 amount to almost \$12 billion. The five hospitals in this group have
4 operating expenses of about \$9 billion which is about 38% of the
5 budgets of the 25 largest regional hospitals.⁹ Six of our current
6 members are among New York City's 18 largest employers.¹⁰ Most of
7 the CPA members have annual budgets in excess of \$1 billion. Clearly,
8 the economic and social impact of such institutions is enormous.
9 Based on research conducted by the CPA and from publicly issued
10 statements, we have determined that our recent and current member
11 institutions are pursuing over \$5 billion on new construction projects in
12 the coming years (Exhibit B). This will add about 5.2 million square feet
13 in new facilities. Among these projects is 1.3 million square feet of new
14 biotech facilities including some of those mentioned above¹¹. We
15 estimate that an investment of \$1.3 billion will be needed to complete
16 these projects.
17

⁹ Crain's New York Business, Health Care Report, March 24-30, 2008, Vol. XXIV, No.12

¹⁰ Data for hospital rankings is derived from, Crain's New York Business, "2007 Book of Lists" December 25, 2006.

¹¹Source is from Consumer Power Advocates' surveys – Exhibit B.

1 Collectively, the CPA members represent a substantial opportunity for
2 maintaining or creating new jobs in New York City. Many of our
3 members maintain leadership positions in the fields of bioscience and
4 biomedical research – fields the NYC Economic Development
5 Corporation is working to develop by promoting NYC as a location for
6 world-class research. Assisting the economic viability and growth of
7 non-profit institutions is essential to meeting New York’s economic and
8 job growth objectives.

9

10 **Q. Do you believe that the Biotechnology Research Sector**
11 **and the hospitals and universities in New York City are at**
12 **an economic disadvantage compared to other regions due**
13 **to the cost of electricity?**

14 **A.** Yes, a study conducted by The Boyd Company in 2005,¹² showed
15 that New York biotechnology facilities have the highest, by a wide
16 margin, ratio of electric costs as a percentage of total operating costs
17 exclusive of salaries. While Massachusetts, North Carolina and New
18 Jersey had a ratio of 22% and California was at 34%, New York

¹² CA, MA, NC & NJ cost information from, “A Comparative Operating Cost analysis for the Biotechnology Industry, 2005,” The Boyd Company Inc. plus internal records of Luthin Associates based on a survey of six similar biomedical facilities in New York.

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1 biomedical facilities can expect to expend more than 52% of their
2 operating budget on electric power. This ratio is between 1.5 and 2.4
3 times higher in New York.

4
5 The biomedical industry has one of the highest energy utilization rates
6 of those industry sectors that are most important to the economic
7 growth of New York State. A 2001 study by Energy Design
8 Resources, a California based utility industry organization, showed that
9 laboratories have a higher energy cost per square foot than all other
10 sectors surveyed. The average cost per square foot was between
11 100% and 400% higher than large office buildings.¹³ The Energy
12 Information Administration's data indicates that for buildings greater
13 than 100,000 square feet, Health Care facilities have an energy
14 intensity index i.e. kWh per square foot, that is about 33% higher than
15 the other major economic sectors in New York State.¹⁴ Con Edison
16 designs their electric services for a biotech facility at an energy density
17 equal to 50% more than office buildings¹⁵. All of these costs exist
18 despite the sector's emphasis on energy efficiency. When Mayor

¹³ "Energy Design Brief: Options and Opportunities," 2001 Energy Design Resources.

¹⁴ United States, Energy Information Administration, Table C21. Electricity Consumption and Conditional Energy Intensity by Building Size for Non-Mall Buildings, 2003.

¹⁵ Con Edison, Rider Y Load Density, Engineering Design Values Used in Calculating Peak Demands

1 Bloomberg called on ten universities to meet New York City's plan to
2 decrease their carbon footprint by 30% by 2017, ten universities joined
3 the effort. Two of these universities, Fordham and NYU are CPA
4 members.

5

6 **Q What is the overall economic impact of the healthcare,
7 higher education and Non-Profit Biotechnology Research
8 Sector on New York City?**

9 **A.** A significant part of the non-profit health care sector is
10 biomedical research. In a 2007 survey of our CPA members
11 (Exhibit C), we determined that more than 3.5 million square
12 feet of facility space is dedicated to biomedical research. This is
13 16% of the total area of the institutions. As shown in Exhibit B,
14 healthcare and higher education are also among the leaders in
15 developing new facilities in the region with more than 3.8 million
16 square feet of traditional hospital and university development
17 planned for construction. Under the original biomedical research
18 BIR, our members developed more than 1.6 million square feet
19 of such facilities that opened between 2003 and 2007. This has
20 resulted in more than 4,200 jobs being created (Exhibit D).

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1 The nature of this high tech development is much more
2 financially beneficial than the size of the facility would indicate.
3 The impact on job development that this sector contributes to
4 the economy is a critical part of their financial impact. In a 2000
5 study, the Association of American Universities provided a
6 rough approximation of the immediate employment impacts of
7 academic R&D by using multipliers developed by the U.S.
8 Commerce Department's Bureau of Economic Analysis. They
9 estimate a multiplier of 36 jobs for every \$1 million in academic
10 R&D spending.¹⁶ According to a survey published in the New
11 York Academy of Medicine, it is estimated that, "every million
12 dollars of federal research funding generates approximately 12
13 FTE jobs directly and an additional 7.74 FTE as a result of the
14 indirect and induced spending impacts for a total of almost 20
15 jobs."¹⁷ These jobs include both direct and indirect hires from
16 overhead grant funds. Biomedical research in New York State is
17 dominated by non-profit institutions that attract world-class
18 researchers. In order to continue to attract our share of funding,

¹⁶ Association of American Universities, "Employment Impacts of Academic R&D Fiscal Year 2001"

¹⁷ Elliott Sclar, Ph.D., and Nancy Aries, Ph.D, "Biomedical Research and the New York State Economy," New York Academy of Medicine, 2000.

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1 we need new facilities and more researchers. The two go hand-
2 in-hand.

3

4 In addition to the impact on job creation, the economic impact of this
5 industry sector is significant. For instance, biotechnology has an
6 employment multiplier of 2.9. In other words, each job created in
7 biotechnology generates an additional 2.9 jobs, resulting from biotech
8 firms' purchases and consumer spending of biotech employees. The
9 same study estimated biotechnology company revenues of about \$20
10 billion in 1999 which generated another \$27 billion in induced and
11 indirect impact, for a revenue multiplier of 2.3.¹⁸ A report by the New
12 York State Comptroller found that "In 2003, New York's biotech and
13 pharmaceutical industries employed 54,469 people and paid \$3.3
14 billion in wages. On average, each job within these industries creates
15 one additional job outside these sectors. Thus, in 2003, these
16 industries supported approximately 110,000 jobs in New York and
17 \$18.1 billion of economic activity."¹⁹ Wages for biotech and

¹⁸ Source: The Economic Contributions of the Biotechnology Industry to the U.S. Economy. Prepared for the Biotechnology Industry Organization. Ernst and Young. May 2000.

¹⁹ Source: New York State Comptroller, Alan G. Hevesi, The Economic Impact of the Biotechnology and Pharmaceutical Industries In New York, Report 11-2005, February 2005

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1 pharmaceutical jobs are relatively high. In 2003, research and
2 development jobs paid an average of \$76,537, while medicine and
3 pharmaceutical manufacturing paid an average of \$78,036.²⁰ Based
4 on these metrics, New York State's recent commitment to invest \$600
5 million in a Stem Cell Research fund will generate 12,000 additional
6 research biotech jobs. This translates to 35,000 new, indirect jobs and
7 \$1.4 billion in revenue to the economy of New York State.

8
9 The current state of deregulated energy markets is worsening the
10 struggles facing these institutions. Our CPA members' collective
11 energy budget for the coming year is \$131 million in total and \$57
12 million for electricity. On average, the coming year's energy budgets
13 are 32% higher than the prior year's budgets.²¹ The outlook for future
14 energy costs is even more troubling. Recently, crude oil was trading at
15 an all time high, and natural gas was setting new daily highs. World
16 demand for oil is projected to increase 37% over 2006 levels by 2030,
17 according to the US-based Energy Information Administration (EIA).

²⁰ Source: U.S. Department of Labor., cited in New York State Comptroller, The Economic Impact of the Biotechnology and Pharmaceutical Industries In New York.

²¹ Source is from Consumer Power Advocates' surveys – Exhibit E.

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1 Not only will the above conditions increase the cost of electricity, but
2 they could contribute significantly to a slowdown in the local and
3 national economies. The results of such a slowdown are contractions
4 in Federal, State and local funding. We have already seen this coming
5 to fruition in Governor Patterson's economic plan.

6
7 Against such a backdrop there is no reasonable expectation that
8 market-based relief is in sight. The need for low cost power as
9 an economic incentive for large non-profit hospitals and
10 universities located in New York City remains critically
11 important.

12

13 **Q. Do you believe that future economic development programs**
14 **should be expanded?**

15 **A.** Yes, I do.

16

17 **Q. What can be done to alleviate the financial burden faced by**
18 **these institutions?**

19 **A.** There is an urgent need to expand the current BIR biomedical
20 program and to provide equal access for non-profit healthcare and

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1 higher education organizations to other BIR programs. This would
2 benefit and encourage growth in the non-profit institutions that are
3 creating the largest job growth in New York's economy. While Con
4 Edison's biomedical research set-aside within the Business Incentive
5 Rate (BIR) program certainly benefits eligible non-profit institutions, the
6 20 megawatt allocation is far too small and the timeframe for
7 completing such capital intensive projects is often several years,
8 effectively minimizing the benefits of the program. This 20 megawatt
9 allocation level was reached in September, 2007. The current
10 allocation within this program is disproportionate to the impact of this
11 sector on the economy. New York City has a total of 3.7 million non-
12 agricultural jobs²² for which there is a total of 452 megawatts of low
13 cost power available, or 1 megawatt for every 8,410 jobs. However,
14 the non-profit, health and education sector was allocated only 20
15 megawatts of BIR power which, for 707,000 jobs²³, represents just 1
16 megawatt for every 35,350 jobs. It would take an allocation of 76.8
17 megawatts for non-profits to reach a ratio that is commensurate with
18 their economic impact and comparable to the allocation of the non-

²² U.S. Department of Labor, Bureau of Labor Statistics, <http://www.bls.gov/data/home/htm>, customized report of the Employment Hours and Earnings from Current Employment Statistics.

²³ Ibid note 1

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1 agricultural jobs. This is why we are setting the target level for this
2 program at 77 megawatts and why we are asking for equitable access
3 to the BIR for all healthcare and higher education non-profit
4 organizations.

5 Despite aggressive energy conservation measures, our survey of six
6 CPA members (Exhibit A) shows that CPA members spent over \$157
7 million on energy this past year. About \$73 million (47%) is spent on
8 electricity²⁴. An additional survey of four of our members (Exhibit E)
9 showed that their 2008 energy budgets are \$115 million. This
10 represents a 32% increase over their previous year expenditures for
11 energy. Without the opportunity to take advantage of most economic
12 development power programs, or without the advocacy that keeps
13 energy operational costs under control, increases in energy costs
14 whether attributed to electric rate increases, increased capacity costs,
15 or skyrocketing fossil fuel costs, only exacerbate the situation of the
16 existing facilities and dampen the will to expand current or new
17 facilities.

18

²⁴ Source is from Consumer Power Advocates' surveys – Exhibit A.

1 **Q. What other economic development programs are available to**
2 **these sectors?**

3 **A.** Currently, the Power for Jobs (PFJ) program is the only low cost
4 power program for which non-commercial entities such as non-profit
5 healthcare and higher education are eligible. The only other low cost
6 power program, the New York City Energy Cost savings Program
7 (ECSP) discriminates against non-profit institutions in much the same
8 way as the BIR.

9
10 Current legislation allows for the extension of the PFJ program through
11 June 30, 2009, yet the future of not only the PFJ program, but all
12 economic development programs, remains unclear. Last year, the
13 Governor's Deputy Secretary for Energy proposed legislation that
14 would replace PFJ and ECSP with a new program that did not
15 discriminate against non-profit organizations. The program would have
16 required pledges of job growth or retention, facility improvement and
17 energy conservation to qualify. This program did not make it through
18 the legislative process but it was believed to have developed enough
19 interest to revisit passage in 2009. Unfortunately, given the budget
20 reductions being proposed by Governor Patterson, it is unlikely that it

1 will resurface and it is also quite possible that PFJ will not be renewed
2 beyond June 2009. This will leave the non-profit sector which is the
3 largest most quickly growing sector essentially without any programs to
4 stimulate growth.

5

6 **Q. Do you believe that biotechnology, healthcare and education**
7 **facilities that could be built in New York City and Westchester**
8 **County may be built in other areas where energy costs are less?**

9 **A.** Yes. We have already shown how lower energy costs can result in
10 research facilities being developed outside of New York where locally
11 educated researchers will relocate. This would result in a continuous
12 drain of our intellectual capital. Development in the healthcare faces a
13 similar dilemma. The construction of new healthcare facilities nationally
14 is expected to reach \$60 billion per year by 2010 according to research
15 reported by EC&M, a construction trade periodical.²⁵ This article
16 further points out how healthcare construction spending increased by
17 20% in 2007 and a 14% increase is estimated for 2008. Helping to
18 spur these numbers are aging medical facilities, advances in
19 technology, shifting environmental requirements, and the increasingly

²⁵ Stefanie Kure, "Health Care Construction Prognosis: Industry Appears to Be in Top Form," EC&M, June 1, 2007 (http://ecmweb.com/mag/electric_health_care_construction/).

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1 older population. We could be faced with a new exodus of “baby
2 boomers” that elect to relocate in the suburban areas outside of New
3 York where the newer facilities are being built. This would also lead to
4 a drain of medical workers, nurses and doctors. The potential for
5 relocation due to energy costs is exacerbated because surveys show
6 that hospitals are increasingly adding high technology energy intensive
7 processes that increase their energy density. A survey by the
8 American Hospital Association as reported by EC&M indicated that
9 50% of hospitals surveyed in 2006 reported high or moderate use of
10 information technology compared to 37% the previous year. This is
11 being driven by a Federal push to have all health records computerized
12 by 2014.²⁶

13 Overall, McGraw Hill's industry construction outlook for 2008 reports
14 that only institutional and public works construction spending will
15 increase over 2007 with all other sectors decreasing. These two
16 sectors are the only ones that have increased each year since 2004.
17 Total construction spending will be down 2% overall. With development
18 only growing in the non-profit sectors, it is vital to the New York

²⁶IBID

1 economy that a significant amount of this construction occurs in New
2 York.²⁷

3 **Q. Can you quantify the number of jobs and expansion**
4 **planned by the CPA coalition?**

5 **A.** Collectively, our membership represents many of the most
6 respected institutions in New York City and the world. Former
7 and current CPA members plan on spending approximately \$5.2
8 billion on new construction projects over the next few years
9 including 1.3 million square feet of new biomedical space. Their
10 commitment to maintaining jobs, even in the toughest economic
11 downturns, is well established while their ability to attract and
12 retain world-class employees is consistent with the city's
13 employment goals. The total commitment made by current and
14 recent CPA members under the Power for Jobs program is
15 56,136 jobs²⁸. In total these institutions employ nearly 110,500
16 people and, in fact, more jobs have been created or retained
17 than were pledged under the PFJ program.²⁹ As described in
18 detail below, the 20 mW allocation produced more than 4,000

²⁷ "Murray Predicts Scaling Back for 2008 Commercial Construction Outlook," as reported by The US Glass News Network, <http://www.usgnn.com/newsOutlook20071026.htm>

²⁸ Source is from Consumer Power Advocates' PFJ Applications.

²⁹ Source is from Consumer Power Advocates' PFJ Applications.

1 jobs and \$340 million in annual salaries. Increasing this benefit
2 fourfold could lead to 16,000 new jobs and more than a \$1.2
3 billion annual increase in salaries.

4 **Q. Can you quantify the impact of energy costs on non-**
5 **profit institutional budgets?**

6 **A.** A majority of our members have annual budgets in excess of
7 \$1 Billion and collectively CPA represents over \$12 Billion in
8 annual expenditures.³⁰ Clearly, the economic and social
9 impact of such institutions is enormous. As stated previously,
10 47% of our member's \$157 million energy budget is for
11 electricity and they expect an overall 32% increase in energy
12 costs this year. The Company's proposed electric rate increase,
13 increased capacity costs and skyrocketing fossil fuel costs only
14 exacerbate the situation. I also believe that the current state of
15 deregulated energy markets is worsening the struggles facing
16 these institutions. Limited power generation makes for short
17 supply and higher prices. Against such a landscape there is no
18 reasonable expectation that market-based relief is in sight.

19

³⁰ Source is from Consumer Power Advocates' surveys - Exhibit A.

1 **Q. Can you please discuss the impact that your CPA**
2 **member institutions have had on the NYC economy and**
3 **what role did the biomedical BIR play?**

4 **A.** The projects that have been built under the biomedical BIR have
5 had a significant impact on the economy of the City from both a direct
6 job focus as well as helping to build New York's reputation as a center
7 of biomedical research. The 20 megawatts of the original bio-med
8 allocation was received by five institutions that developed six new
9 facilities comprising 1.6 million square feet. As a result 4,290 jobs were
10 created.³¹ Based on some of the economic indicators previously
11 reported we can further imply that these jobs generate about \$340
12 million in salaries each year and they created more than 12,000 indirect
13 jobs based on the multipliers described in this document. We have
14 estimated that the net cost of the BIR to Con Edison for these 20
15 megawatts over the 15 year benefit term is \$15 million or about
16 \$750,000 per mW or \$3,500 per job.³² The annual cost to Con Edison
17 is on average \$50,000 per year. In return, over \$340 million in wages
18 per year will be generated (not including inflation). These wages are

³¹ Source is from Con Edison BIR applications.

³² This estimate was developed by applying a 60% load factor to a 20 megawatt load priced at \$0.045 per kWh for distribution costs and assumed a 25% reduction on these T&D charges.

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

1 subject to state and local income taxes and will enable more than
2 4,200 additional people each year to shop and use electricity in New
3 York. Had some of these facilities located outside of New York, this
4 revenue would be helping areas other than New York.

5 Below is a summary of the projects that have received BIR
6 incentives under the nonprofit set aside for biomedical research:

7 **NYU Medical Center Cancer Institute:** In 1975, NYU Medical
8 received Funding from the National Institute of Health to create
9 a clinical cancer center. It was one of 61 such centers nationally
10 and one of four in New York City. NYU Medical realized that in
11 order to keep this designation, it must continue to develop new
12 programs and facilities to meet the needs of modern research.
13 NYU Medical wanted to have this new center involved in
14 “translational research.” This relatively new concept brings the
15 research from the, “bench to bedside.” The result was an 88,200
16 square foot facility that created 132 new jobs and helped in the
17 Center being designated again as an NIH clinical center. This
18 facility specializes in cancer research related to breast, lung,
19 gastrointestinal, genitourinary, gynecologic, and melanoma
20 treatment.

1

2 **NYU Medical Center Smilow Research Center:** This 230,000

3 square foot space was opened in 2006 and created 560 jobs.

4 This new research center enables NYU Medical's scientists to

5 conduct research that expands our understanding of cancer,

6 cardiac and vascular diseases, infectious diseases, and other

7 fields of science. The research programs contained within the

8 building include Infectious Disease and Nephrology; Genetics,

9 Genomics and Proteomics; Cardiovascular Biology;

10 Neuroscience; Microbial Pathogenesis, and Epithelial Cell

11 Biology.

12

13 **Mt. Sinai Atran-Berg Biotechnology Research Center:** This

14 project was begun in 2001 and completed in 2006 after

15 postponements due to funding. It involved the gut rehabilitation

16 of an existing 188,700 square foot facility and the addition of

17 273 jobs. The original use was for patient care. As a teaching

18 hospital, research has always played an important role in the

19 hospital's mission and the new facility was dedicated to that

20 task, thus enabling Mt. Sinai to maintain its role as a leading

1 teaching hospital in the country and New York. The main focus
2 is genetics and pediatric cardiology.

3

4 **Columbia University Engineering Terrace/Mudd and**
5 **Chandler Pavilion:** These buildings house the Department of
6 Biomedical Engineering and The Department of Chemistry.
7 They underwent rehabilitation in 2002 and a two story animal
8 facility was added as well. The major areas of focus for this
9 facility are: cellular engineering, artificial organ research,
10 biomedical imaging, bone bioengineering, cardiac and
11 musculoskeletal biomechanics and orthopedics. The
12 development consisted of 154,000 square feet and added 230
13 jobs.

14

15 **Memorial Sloan Kettering Zuckerman Research Building:**
16 This state of the art, 700,000 square foot research building was
17 completed in 2006 and provided 2,822 new jobs. Some of the
18 fields it will concentrate in are cell, computational and

1 developmental biology; immunology; molecular biology,
2 pharmacology and chemistry; and, structural biology.

3

4 **New York Presbyterian Hospital Children’s Hospital of New**
5 **York (CHONY):** This 265,000 research facility also utilized the
6 bench to bedside approach by combining patient care with
7 research. Opened in 2004 CHONY pioneered the invention of
8 the “Cool Cap” which slows vital mental processes in infants
9 with a reduced exposure to oxygen. Other areas of research
10 include neurology, oncology, hematology, genetics and
11 anesthesiology. All geared towards children. This project has
12 created 273 jobs.

13

14 **Q. What is the overall social impact of higher education,**
15 **healthcare and Non-Profit Biotechnology Research Projects**
16 **on New York City?**

17 **A.** This information is well documented. In summary, the
18 services these institutions provide such as education, health
19 care, social services and scientific advances represent social

1 and economic necessities that benefit the New York population
2 as a whole. For example, one of our Manhattan hospital
3 members provides healthcare services in an area which the US
4 Department of Health and Human Services has designated as a
5 Health Professional Shortage Area – one in which primary
6 medical services are lacking.

7

8 **Q. What should the Company do to support these**
9 **institutions?**

10 **A.** I support the expansion of the current BIR – biomedical
11 program to a total of 77 megawatts (inclusive of the current
12 allocation) with the same level of monetary incentives which
13 exist within the Business Incentive Rate Program. The program
14 should be placed under the current Con Edison administered
15 BIR Program. Also, the qualifying criteria for access to the new
16 and vacant building portion of the business incentive rate should
17 be based on investments in infrastructure improvement, not
18 eligibility for programs that are based on incentives that do not
19 apply to non-profits. And, qualifying for low interest government

1 financing should be considered a comprehensive package of
2 economic incentives.

3

4 Clearly, New York City's position as a world leader is directly
5 tied to the viability of non-profit institutions. The creation of a
6 new low-cost power program will help to ensure that this critical
7 synergy is maintained and that the communities these
8 institutions serve remain vibrant and financially stable.

9

10 **Q. Does this conclude your pre-filed testimony?**

11 **A. Yes.**