

BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of

CASE 04-E-0572

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

Electric Rates

September 2004

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 Principal 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

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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, non-profit and corporate entities on issues ranging from utility
4 deregulation to strategic energy planning and management. I am the
5 former executive director of the New York Energy Buyers Forum and
6 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 • New York Presbyterian Hospital
- 13 • Mount Sinai Medical Center
- 14 • Memorial Sloan-Kettering
- 15 • Beth Israel Medical Center
- 16 • NYU Medical Center
- 17 • New York University

18 CPA members are typically high load factor customers taking the
19 majority of electric service under Con Ed's SC-9 Time of Day (TOD)
20 rate.

21 CPA has represented our members at the New York State Legislature,
22 New York Independent System Operator (NYISO), New York State
23 Public Service Commission and the Federal Energy Regulatory

1 Commission (FERC) since 2002. I have filed testimony before
2 proceedings of the Energy Committee of the New York State
3 Assembly, proceedings of FERC, and proceedings of the New York
4 City Council. I am a member of Mayor Bloomberg's New York City
5 Energy Policy Task Force, which developed a comprehensive plan for
6 New York City's energy and infrastructure.

7

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

10 **A.** No.

11

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

13 **A.** My purpose is to discuss the economic position of non-profit
14 institutions in New York City and to demonstrate the enormous impact
15 such institutions have on New York's overall economy. As of 1Q 2004,
16 healthcare institutions employed nearly 375,000 workers and is
17 projected to be one of the fastest growing segments of the job market
18 over the next ten years. Over the past 10 years colleges and
19 universities added nearly 26 thousand jobs to their rosters. In fact,
20 educational and healthcare services were the only sectors which did

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1 not experience job losses in the aftermath of the September 11th
2 attacks. In the past 5 years, educational and healthcare jobs have
3 increased by an impressive 70.4%. However, these institutions have
4 been hard hit economically for several reasons. New York ranks fifth
5 among the most populous states in its proportion of uninsured
6 residents and remains above the national average. Hospital expenses
7 have increased every year since 1996. Private universities have been
8 forced to raise tuitions by an average 7% to help offset the rising cost
9 of healthcare insurance which have risen between 10% and 15% a
10 year. The cost of energy has skyrocketed with little relief in site. It
11 should be noted that although these institutions do not pay taxes, their
12 employees do, contributing substantially to the tax revenue of the city
13 and state. Total healthcare and educational employees earn taxable
14 wages totaling over \$12.3 billion annually. While Wall Street wages,
15 typically seen as the bedrock of New York's economy, have dropped
16 over the past several years, healthcare and educational wages have
17 continued their growth trend. Since September 11th, Wall Street
18 corporations have lost 41,000 jobs¹.

¹ Employment and wage data source: Crain's July 11, 2004 Vol. XX, No.27

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 on
7 non-profit institutions is essential to meeting New York’s economic and
8 job growth objectives.

9

10 **Q. Do you believe that future economic development programs**
11 **should be eliminated or phased out?**

12 **A.** No, I do not. Con Edison’s financial strength is dependent on the
13 financial strength of its customers and the City’s economic health.
14 Therefore, programs which bolster the economic strength of the
15 Company’s customers also benefit Con Edison.

16

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

19 **A.** Within the Company’s filing, no new economic development
20 program was proposed. There is an urgent need for a new Economic

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1 Development Program that would benefit the institutions that are
2 creating the largest job growth in New York's economy. Currently, the
3 Power for Jobs program is one of the very few low cost power
4 programs for which non-commercial entities are eligible. Current
5 legislation allows for the extension of this program until December
6 2005, yet the future of the program remains unclear. While Con
7 Edison's biomedical research set-aside within the Business Incentive
8 Rate (BIR) program certainly benefits eligible non-profits institutions,
9 the 8 megawatt allocation is far too small and the timeframe for
10 completing such capital intensive projects is often several years,
11 effectively minimizing the benefits of the program. New York City has
12 a total of 3.5 million non-agricultural jobs for which there is
13 approximately 440 Megawatts of low cost power available. Of this
14 total, there is just 8 megawatts specifically set aside for non-profit
15 institutions – institutions which represent 659,000 jobs.

16 I believe that a new economic development program, under which
17 benefits are more immediately realized, should be created for non-
18 profit institutions for the reasons I will outline in my testimony.

19

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

3 **A.** Collectively, our membership represents many of the most
4 respected institutions in New York City and the world. Their
5 commitment to maintaining jobs, even in the toughest economic
6 downturns, is well established while their ability to attract and
7 retain world-class employees is consistent with the city's
8 employment goals. The total commitment made by CPA
9 members under the Power for Jobs program is 38,250 jobs. In
10 total these institutions employ nearly 102,000 people and, in
11 fact, more jobs have been created or retained than were
12 pledged under the PFJ program. To illustrate the dramatic
13 impact our member institutions have on the NYC economy, one
14 CPA member has initiated planning for construction projects
15 expected to generate more than 3,600 jobs over the next three
16 years.

17

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

1 **A.** Many of our members have annual budgets in excess of \$1
2 Billion and collectively CPA represents over \$8 Billion in annual
3 expenditures. CPA members collectively purchase nearly \$2
4 Billion in goods and services within the New York economy.
5 Clearly, the economic and social impact of such institutions is
6 enormous. Our member institutions plan to spend nearly \$2.5
7 Billion on new construction projects in the coming years. Yet
8 despite aggressive energy conservation measures, our
9 members spend over \$118 Million on energy each year. Of this
10 nearly \$80 million, or more than two thirds, is spent on
11 electricity. The Company's proposed electric rate increase,
12 increased capacity costs and skyrocketing fossil fuel costs only
13 exacerbate the situation.

14

15 **Q. Can you please discuss the impact one of your CPA**
16 **member institutions has on the NYC economy?**

17 **A.** I would like to use Columbia University as an example. As
18 described in a recent study of Columbia's economic impact on New
19 York City, Columbia's activities contribute to the economic health of the
20 region in many ways, including:

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- 1 • Employment of nearly 14,200 faculty and staff, more than one
2 third of whom live in Upper Manhattan or the South Bronx;

- 3 • New business development resulting from research, such as 17
4 of the current 21 companies housed at the University's Audubon
5 Business and Technology Center in Washington Heights;

- 6 • Total purchases of over \$42 million from businesses located in
7 Upper Manhattan and the South Bronx in this year alone;

- 8 • Funding of construction projects that are expected to generate
9 an average of 1,200 construction jobs each year for the next
10 several years. Many of these jobs go to local residents as a
11 result of the University's requirement that contractors awarded
12 major construction projects meet or exceed ambitious goals for
13 hiring minority and/or women workers;

- 14 • Purchase of hundreds of millions of dollars in goods and
15 services that are not related to construction in fiscal year 2003
16 from New York City vendors, representing more than a third of
17 the University's total non-construction purchases.

- 1 • The University also purchased over \$200 million in construction
2 and construction related goods and services in fiscal year 2003
3 from New York City vendors, representing over 40% of total
4 construction related purchases.

5 Columbia University is fully committed to continuing efforts to increase
6 its positive impact in each of these areas but the reality remains that
7 spiraling energy costs impact the University's ability to do so. This
8 commitment is evident in Columbia University's plans for a major
9 expansion into the Manhattanville area of New York City. It is
10 anticipated that the proposed full development of Manhattanville in
11 West Harlem area would generate over \$4.5 billion dollars of economic
12 stimulus in New York City and employ thousands of workers to design
13 and build the projects that would comprise the full development. Within
14 the next ten years alone, over \$700 million dollars would flow into the
15 New York City economy. Once the full development of the area is
16 complete, approximately \$1 billion of economic activity every year
17 would be generated and approximately 9,000 permanent new jobs
18 would be created.

1 Recently, other CPA members have demonstrated their commitment to
2 New York City through several major construction projects totaling over
3 1 million square feet. For example, recently, these institutions have
4 built 2 new biomedical research facilities (500,000 square feet and
5 200,000 square feet), a new 265,000 square foot children's hospital
6 and a state of the art, 82,000 square foot cancer research facility.

7

8 **Q. What is the overall Economic Impact of Non-Profit**
9 **Institutions on New York City?**

10 **A.** The services these institutions provide such as education,
11 health care, social services and scientific advances represent
12 social and economic necessities that benefit the New York
13 population as a whole. For example, one of our northern
14 Manhattan hospital members provides healthcare services in an
15 area which the US Department of Health and Human Services
16 has designated as a Health Professional Shortage Area – one in
17 which primary medical services are lacking.

18

1 I believe that the current state of deregulated energy markets is
2 worsening the struggles facing these institutions. Over the last year
3 alone, increases in the cost of fossil fuels have impacted energy
4 budgets by as much as 25% – 30%. A lack of power generation
5 makes for short supply and higher prices.

6 Finally, new growth in the economy may be a double edged sword.
7 Studies indicate that a strengthening economy typically results in
8 increased power demand, further bolstering expectations of higher
9 prices. These factors, with the possible exception of a less robust
10 economy, all point to a likelihood of increasing energy prices over the
11 next 2 to 3 years. Against such a backdrop there is no reasonable
12 expectation that market-based relief is in sight. The need for low cost
13 power as an economic incentive for large non-profit hospitals and
14 universities located in New York City remains critically important.

15

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

17 **A.** I believe that a new economic development program should be
18 created benefiting the non-profit New York City institutions that are
19 essential to maintaining New York City's position as the home of the
20 world's leading academic and medical institutions. Such a program

1 should be based upon criteria which promotes the goals of the city and
2 reflects the impact non-profits have upon the economy and local
3 communities. As such, I support the creation of a 50 Megawatt, low-
4 cost power program with the same level of monetary incentives which
5 exist within the Business Incentive Rate Program. I propose eligibility
6 requirements as follows:

- 7 • The program would be placed under the Con Edison
8 administered BIR Program
- 9 • A pledge for additional and/or retained jobs and demonstrated
10 economic benefit of proposed activity
- 11 • Capital expenditure of \$25 Million within the previous 24 month
12 period for construction, renovation or energy efficiency projects
13 per aggregate institution
- 14 • Minimum aggregated peak load of 10 Megawatts
- 15 • Non-profit customers that meet the eligibility criteria above
16 would not have to satisfy the other requirements of the BIR
17 Program.

18

19 Clearly, New York City's position as a world leader is directly tied to the
20 viability of non-profit institutions. The creation of a new low-cost power

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1 program will help to ensure that this critical synergy is maintained and
2 that the communities these institutions serve remain vibrant and
3 financially stable.

4

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

6 **A. Yes.**