

BEFORE THE  
STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

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In the Matter of  
Case 04-E-0572  
CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.  
Electric Rates  
September 2004

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**Joint Proposal of Consumer Power Advocates and  
the Pace Energy Project**

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- 1 Q. Please state your name and business address.
- 2 A. My name is John J. Dowling, and my business address is 15 Walling  
3 Place, Avon-By-The-Sea, New Jersey 07717. My education and  
4 experience are described in my pre-filed testimony on behalf of  
5 Consumer Power Advocates elsewhere in this case.
- 6 Q. What is the purpose of this testimony?

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- 1 A. My purpose is to present a joint proposal developed by Consumer  
2 Power Advocates (CPA) and the Pace Energy Project (Pace) to  
3 encourage the development of Energy Efficient Combined Heat and  
4 Power in New York City.
- 5 Q. What is meant by Efficient Combined Heat and Power (CHP)?
- 6 A. The US Combined Heat and Power Association has defined “efficient  
7 CHP” as applications of technologies that meet or exceed an average  
8 annual fuel conversion efficiency of 63% for systems with a total  
9 usable energy output of 1 MW (including thermal and electric energy)  
10 but less than 100 MW.
- 11 Q. How does CHP meet the concerns of Pace and CPA?
- 12 A. Energy efficiency on both the supply-side and the demand-side  
13 provides a cost-effective and clean alternative to new transmission and  
14 distribution capacity, as well as to new generating capacity. On the  
15 supply-side, combined heat and power (“CHP”) can provide clean  
16 energy, increase the diversity of energy resources and, if properly  
17 sited, reduce congestion within the transmission system. CHP has the  
18 potential to increase reliability and market efficiency, while increasing  
19 the diversity and security of the entire electric system. On the  
20 demand-side, energy efficiency ranging from installing more efficient

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1 lighting and motors to making operational improvements in the use of  
2 energy using equipment provides similar benefits. Both supply- and  
3 demand-side energy efficiency can be considered energy resources that  
4 that significantly reduce line losses and avoid the siting issues that  
5 occur when new distribution and transmission lines facilities are  
6 planned.

7 Q. Why should the Commission address CHP in this proceeding?

8 A. Significant barriers to the development of supply- and demand-side  
9 technologies and measures exist. These barriers are operational,  
10 economic and financial. CHP developers, for example, face  
11 significant uncertainty over the cost of interconnection to the  
12 distribution system. These costs are specific to each particular site,  
13 and the information necessary to estimate those cost is technically  
14 complex and proprietary to Con Edison. Financing requires long term  
15 commitments by CHP developers and/or their hosts. Most  
16 unfortunate of all, efficiency benefits to the system, including possible  
17 reduced congestion, air pollution abatement and/or increased system  
18 reliability are not shared by the developer or host.

19 Q. Do you believe that the Commission shares your concern?

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1 A. Yes. In his remarks at the June 24, 2004 NYSERDA Conference  
2 “CHP in New York State-two Years Later,” Chairman Flynn made the  
3 case for energy efficiency and diversity:

4 The point I am driving toward here is not that we as a regulator  
5 have done enough for this industry already. The potential  
6 benefits of more widespread DG and CHP deployment are too  
7 great for us to declare victory and move on at this point. The  
8 added security benefits for society and economic benefits for  
9 customers of having on-site power available during extended  
10 grid outages; the added diversity in the way the grid is utilized;  
11 and the economic development potential from growing this  
12 industry here in New York State all make compelling  
13 arguments to continue to identify and eliminate barriers to DG  
14 and CHP deployment.

15  
16 Among the issues raised by Chairman Flynn were the issues of  
17 interconnection policies, DG as an alternative to costly transmission  
18 and distribution upgrades, market structures and gas rates. We have  
19 attempted to address all those issues here.

20 Q. How was your proposal developed?

21 A. This proposal was developed in consultation with CPA members and  
22 the Pace Energy Project.

23 Q. What do you propose?

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- 1 A. To assure adequate development of CHP, we propose that the  
2 following steps be taken:
- 3 1. Subject to security measures, provide local system capacity  
4 information in sufficient detail to qualified developers to allow  
5 developers to identify potential CHP sites.  
6
  - 7 2. Develop a policy to provide interconnection costs to all developers  
8 within 60 days of the first request for such information.  
9
  - 10 3. Commit to interconnection cost estimates for a period of at least three  
11 years, subject to cost indexing.  
12
  - 13 4. Where appropriate, provide funding to defray interconnection costs.  
14 The Company filing includes \$57 million for DSM efforts targeted to  
15 specific local networks. Similar funding should be provided to fund  
16 supply-side energy efficiency including necessary interconnection  
17 costs. CHP projects should not be arbitrarily excluded from that  
18 program.  
19
  - 20 5. Con Edison should share with the developers of both supply-side and  
21 demand-side energy efficiency developers the value of avoided  
22 transmission and distribution projects attributable to their projects.  
23 The current SC14RA tariff provides for As-used Daily Transmission  
24 Demand charges of between \$0.14 and \$0.47 per kW per Day  
25 attributable to non-specific transmission facilities and line losses.  
26 Efficient CHP projects should receive the benefit of the transmission

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1 system relief that they provide through a standard offer of discounts to  
2 those charges. Developers of demand-side energy efficiency projects  
3 in targeted areas should receive further payments through a standard  
4 offer schedule of discounts for projects in such targeted areas that  
5 reflects that the value of avoiding new distribution facilities as well.

6

7 6. Provide discounted interruptible gas transportation rates for use in  
8 large CHP plants. Although the Commission, by approving Rider H,  
9 has recognized the importance of providing gas rates tailored to the  
10 needs of CHP customers, these rates are of no benefit to large projects  
11 which require large gas volumes of at least 1 million therms annually  
12 and which have the ability to burn alternate fuels. This fuel diversity  
13 is an important benefit which should not be ignored in the  
14 development of demand-side programs.

15

16 Q. Does this complete your pre-filed testimony on this matter?

17 A. Yes, it does.