Consumer Power Advocates

Columbia University
Continuum Health Partners
Fordham University
St. Vincent's Hospital
Luthin Associates

Memorial Sloan Kettering Cancer Center
Mount Sinai Medical Center
New York University
NYU Medical Center

Ms. Jaclyn A. Brilling
Secretary
Public Service Commission
3 Empire Plaza
Albany, New York 12223

Re: Case 05-S-1376, Con Edison Steam Rate Case

Dear Ms. Brilling,

Consumer Power Advocates (CPA) objects to the filing implementing demand rates for certain steam customers by Con Edison on August 24, 2007 in the above case. CPA is a voluntary association whose members include the leading academic and medical institutions in New York City, all of whom are customers of Con Edison. Our members are adversely affected by the demand rates as filed by Con Edison. CPA is an active party and a signatory to the Joint Proposal (JP) in this case. CPA asserts that the proposed rates are neither in compliance with the provisions of the JP as accepted by the Commission, reasonable, nor in the public interest.

Background

The Commission's Order Determining Revenue Requirement and Rate Design issued and effective September 22, 2006, in case 05-S-1376 (the "Order") approved a two year steam rate plan for the Company's customers, including implementation of demand charges in the second rate year for customers who have demand meters and consumption of 22,000 Mlb or greater. These demand rates were to be based on 25% of the net winter period revenue, the Winter period understood to be the months of November to April inclusive. In the current filing, the Company has ignored the requirements of the JP, and filed for demand rates to be applied in the months December through March only. The demand rates of the Company's filing are designed to collect 25% of the net revenue for the reduced four month period. According to documents distributed by the Company, this is only about three-quarters of the net revenue for the entire six month Winter period.

Customer Impact

In its filing letter, the Company explained that the change was necessitated by the concern that impacts on customers who use steam for air conditioning during November and April, and that this impact is contrary to the Commission policy of promoting steam air conditioning to reduce summer electricity demand. The Company has not shown either concern to be valid. While there is surely some possibility that a steam customer could set a monthly maximum demand by use of steam chillers in any month, the Company has provided no evidence that this incremental demand is in any way detrimental to those customers. While the demand charge in such an event is necessarily greater, it is only greater by the incremental increase above the second highest demand day. Further, even this increase is partially or fully offset by the lower energy rates that are related to the demand rate. The Company has not shown that any customer sets a monthly peak by use of a steam chiller will actually receive a lower total bill than he or she would have under the demand rate required by the JP. There also exist the possibility that some or even all of these shoulder season peak events are caused by building operators who run heating systems at the same time as their chillers. This can occur when there are unusual or abrupt temperature variations. If that is the case, the resulting increased demand charge is avoidable by better internal control, and the concerns of Con Edison are unwarranted.

Mitigation of impacts

The mitigation of bill impacts was fully considered in the settlement process.
The determination that demand charges would recover only 25% of net revenue and the delay of one year in their implementation were both major departures form the principle that rates should be based on costs. Indeed, if cost were the only consideration in rate design, 100% of the net revenue should be collected by demand charge. Considering that the cost of demand rates has already been mitigated by 100% in the first year if the rate plan, and 75% in the second year, than there has been 8 times more mitigation than movement towards cost based rates. In these circumstances, Con Edison's inclusion of even more mitigation, and hence more movement away from cost based rates, in its compliance filing is unreasonable.

Compliance with the JP

It goes without saying that parties who negotiate in good faith for multi-year agreements which include benefits in the future years expect those benefits to be realized. In this case, a significant part of the promised benefit of demand rates has been unilaterally withheld by Con Edison. Such behavior cannot fail to undermine our ability to accept deferred benefits in future cases.

Conclusion

For all the above reasons, CPA urges the Commission to reject the April 24 filing by Con Edison, and direct the Company to file new leaves implementing the rates in compliance with the JP, as accepted by the Commission.

Respectfully submitted,

Catherine Luthin

Catherine Luthin
Executive Director
Consumer Power Advocates