

Consumer Power Advocates

Columbia University Medical Center
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Memorial Sloan Kettering Cancer Center
The College of New Rochelle

Mount Sinai Health System
New York Presbyterian Hospital
New York University
NYU Langone Medical Center

October 21, 2016

Honorable Kathleen H. Burgess
Secretary
New York Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

RE: Cases 16-E-0060 & 16-G-0061 - Con Edison Electric and Gas Rates

Dear Secretary Burgess:

On September 19, Consumer Power Advocates (CPA) along with Consolidated Edison (the Company), Department of Public Service Staff (Staff or DPS), the City of New York (the City) and other interested parties filed a Joint Proposal (JP) to establish rates and other terms of service for electric and gas service covering the three- year period ending December 31, 2019. Please accept this letter as our reply to the Initial Statement on the Joint Proposal filed on October 13 by the New York Department of State Utility Intervention Unit (UIU).

The UIU contends that the electric and gas revenue allocation and rate design included in the JP is wholly based on an embedded cost of service study (ECOSS), and that this ECOSS is flawed by incorrect allocation methodologies. Both contentions are incorrect.

The revenue allocations include significant departures from the results of the ECOSS. These include a limitation on the revenue allocation to NYPA, and a three-year phase in of both the electric and gas revenue re-alignment necessary to equalize the rate of return among the classes. Nevertheless, the UIU asserts the “...*JP only deviates from the Company’s proposed revenue allocation methodologies to grant additional concessions to larger customers...*” (p.47). That statement is demonstrably false, both because what the UIU characterizes as “concessions to larger customers” are nothing more than conclusions based on sound cost of service principles, and

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because the UIU ignores the three-year phase-in noted above. These were difficult concessions for CPA members, who are among the class of customers consistently found to be providing a greater than average rate of return on Con Edison investments. The UIU asserts (correctly) that the Commission has deviated from ECOSS results in the past, and argues that the Commission should do so in this case, while ignoring the adjustments noted above, which primarily serve to mitigate the bill impacts on residential and small commercial customers and which are paid for primarily by large customers. The JP cannot be said to unreasonably favor large customers over small customers.

Allocation factors and cost of service principles have been contentious issues in recent Con Edison rate cases. The ECOSS in this case represents the consensus among most parties that the Commission has ratified in previous cases. The resulting revenue allocation, including the concessions made in the interest of mitigating bill impacts, is reasonable and in the public interest.

Finally, in a footnote (p.46) the UIU refers to the testimony of its Gas Rate Panel (Panel) on the JP. That Panel agrees with CPA Witness Dowling that non-firm rates provide system benefits, and that those rates must be based on value of service principles. But the panel ignores the testimony on the value of non-firm service presented by CPA Witness Monez, and recommends increasing non-firm rates by some unspecified amount. The JP provides for further study of the value of interruptible services, which is intended to provide a rational basis for determining non-firm and interruptible rates. The UIU testimony should be rejected.

For all of the above reasons, CPA urges the Commission to approve the Joint Proposal in its entirety.

Respectfully submitted,

Catherine Luthin

Executive Director