

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

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In the Matter of

Cases 16-G-0061

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

Gas Rates

June 17, 2016  
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Prepared Rebuttal Testimony of

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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 535 Main Street,
- 3 Allenhurst, New Jersey 07711.
- 4
- 5 **Q. Have you previously testified in this case?**

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on Behalf of Consumer Power Advocates (CPA)

1 A. Yes.

2

3 **Q. What is the purpose of this rebuttal testimony?**

4 A. I will rebut the Pre-filed Testimony of the Gas Policy Panel of the  
5 Department of Public Service. Specifically, I will discuss the Panel's  
6 recommendation to accept the proposal by Con Edison to increase the Off-  
7 Peak Firm Service rate, and will recommend rejecting that extreme increase. I  
8 will further comment on the study proposed by the Panel.

9

10 **Q. Have you examined the testimony of the Gas Policy Panel regarding**  
11 **Off-Peak Firm Service (Rate 2)?**

12 A. Yes. The Panel supports the Company's extreme proposal to increase the  
13 base delivery rate from 8 cents to 11.5 cents per therm, although they also  
14 propose a three year phase in of that increase.

15

16 **Q. Does the Panel refer to any embedded cost of service study (ECOSS),**  
17 **marginal cost of service study (MCOSS), or any studies of the value of**  
18 **interruptible service to customers, the cost of maintaining interruption**  
19 **capability, or any other factual studies?**

20 A. No.

21

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1 **Q. Are you aware of any other factual information that was available to**  
2 **the Panel at the time these recommendations were developed?**

3 **A.** Yes. In case 13-G-0031 CPA Witness Mellusi testified on the costs and  
4 challenges of maintaining interruptible service. In this case, CPA Witness  
5 Monez testified to the challenges of remaining an interruptible customer, but  
6 that testimony was not available to staff in this case prior to the filing date.

7

8 **Q. Did the Panel refer to Mr. Mellusi's testimony?**

9 **A.** No.

10

11 **Q. Does the Panel rely on settled Commission policy to support the**  
12 **Company's extreme proposal?**

13 **A.** No. The Con Edison Gas Rate Panel referred to Commission Opinion 94-  
14 26 in case 93-G-0932, (issued December 20, 1994) as the controlling policy. I  
15 believe that is the most recent generic policy regarding setting rates for  
16 interruptible service. But the Staff Policy Panel, by recommending a study of  
17 the cost of providing interruptible service, implicitly agrees with my prepared  
18 testimony (in this case and in case 13-G-0031) that Order 94-26 should be  
19 reconsidered. In fact, the Panel's recommendation to reconsider the Order  
20 undermines the Company's rationale for the extreme change.

21

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1

2 **Q. Has the Panel offered any other factual support for their**  
3 **recommendation?**

4 **A.** No. The sole justification that the Panel offers is the testimony of the Con  
5 Edison Rate Panel that the rate has not been raised since its inception in 1993.

6

7 **Q. Is this history adequate justification?**

8 **A.** No. The history is no justification at all. The Company has filed five gas  
9 rate cases since 1993, and the only increase was the elimination of the former  
10 discount available to customers who chose multi-year contracts. The  
11 Commission accepted all those results, and thus the current rates must be  
12 judged reasonable. It is an error of logic to infer that a greater increase is  
13 needed now because earlier increases were unnecessary.

14

15 **Q. What would one expect to happen if interruptible rates were set too**  
16 **high?**

17 **A.** Economic theory informs us that, all else equal, higher prices lead to lower  
18 demand. I expect interruptible sales would have decreased if those rates are  
19 too high.

20

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1 **Q. What has happened to Off-Peak Firm deliveries since the rate**  
2 **increases approved in the last case?**

3 **A.** Those volumes have decreased, both for sales and transportation service  
4 customers. From Con Edison's response to the City interrogatory (set 2,  
5 question 80):

Year	Billed Dt		
	Sales	Transportation	Total
2013	2,323,187	16,973,289	19,296,476
2014	2,198,363	15,873,455	18,071,818
2015	1,654,751	15,856,844	17,511,595

6

7 **Q. Does the Panel address the issue of declining volumes as it applies to**  
8 **Off-Peak Firm Service?**

9 **A.** No.

10

11 **Q. Does the Panel address the issue of this increase as it applies to the use**  
12 **of gas in distributed generators (DG)?**

13 **A.** No.

14

15 **Q. What is the effect on new energy producer entry if the transportation**  
16 **and balancing rates are too high?**

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1    **A.** The Staff Gas Policy and Supply Panel in the current National Grid rate  
2    cases 16-G-0058 and 16-G-0059 (LIPA set 8, question 35) was asked that  
3    question, and I agree with that Staff Panel’s answer:

4  
5        *If the transportation and balancing rates for distributed generation or*  
6        *other new energy producers are set so high that they become*  
7        *discriminatory and anticompetitive, this market segment will not develop.*

8  
9    and:

10  
11        *In this context, “marketplace” refers to the market for power generation.*  
12

13    **Q. What is the implication of that answer?**

14    **A.** The answer implies that interruptible rates for DG service must be set  
15    equivalent to the rates applied to other market generators, including large  
16    scale generators; not, as Order 94-26 allows, by reference to the price of other  
17    boiler fuels.

18

19    **Q. Does CPA support the Panel’s proposal that Con Edison perform a**  
20    **study of the cost of interruptible service?**

21    **A.** CPA can only conditionally support that.

22

23    **Q. Under what conditions can CPA support the recommendation for a**  
24    **cost study?**

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1    **A.** CPA can only support that recommendation if Off-Peak Firm customers  
2    are able to participate in meaningful ways in all phases of the study, including  
3    the development of the scope and the selection of consultants to perform the  
4    study. The scope of the study must include consideration of costs borne by  
5    customers to comply with the terms of interruptible service. Finally, Off-Peak  
6    Firm rates and all other interruptible rates must be frozen, or in the case of  
7    service for DG, reduced until the study can be tested in the Company's next  
8    gas rate case.

9

10   **Q. Why do you suggest that it may be necessary to engage an independent**  
11   **consultant to perform this study?**

12   **A.** The study must be conducted in an objective manner, and must be based  
13   on sound economic theory. Both Con Edison and the Staff Panel support the  
14   same extreme increase as rejected in the last case without the benefit of the  
15   study, or without any factual or theoretical economic basis at all.

16

17   **Q. Why is it necessary to include customers and their representatives in**  
18   **all phases of the study?**

19   **A.** Aside from the obvious difference of interest between customers and the  
20   Company, the more important reason is that customers alone hold the  
21   information necessary to determine the cost and difficulties of maintaining the

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1 capability to interrupt gas service. That information is critical to determining  
2 the value of interruptible service. Thus, without that customer input, no study  
3 can properly inform the Commission regarding the value of interruptible  
4 services.

5

6 **Q. Why must the scope of the study include costs borne by customers?**

7 **A.** The costs required of customers directly reduce the value of interruptible  
8 service relative to firm service. It is impossible to determine the value of  
9 interruptible service without consideration of those costs.

10

11 **Q. Why do you require that interruptible rates must be frozen or reduced**  
12 **until the next rate case?**

13 **A.** In the absence of a study or other factual support, it is unreasonable to  
14 increase any rate. In the case of DG, it is important to remove the barrier to  
15 entry represented by high interruptible gas rates.

16

17 **Q. Does this complete your rebuttal testimony in this case?**

18 **A.** Yes.

19