Q. Would the members of the Electric Rate Panel please state their names and business address?


Q. By whom are you employed, in what capacity, and what are your professional backgrounds and qualifications?

A. (Atzl) We are all employees of Consolidated Edison Company of New York, Inc. (“Con Edison” or the “Company”). I will act as chairman of the Panel. I am Director of the Rate Engineering Department. My background is as follows: In 1983, I graduated from the State University of New York at Stony Brook with a Bachelor of Engineering degree in Mechanical Engineering. In 1989, I graduated from Pace University, White Plains, New York with a Master of Business Administration degree in Management Information Systems. I am a Licensed Professional Engineer in the State of New York. My first employment was with Long Island Lighting Company in 1983 where I held the position of Assistant Engineer in the New Business Department. In 1984, I joined Orange and Rockland Utilities, Inc. (“Orange and
Rockland") as a Commercial and Industrial Representative in the Commercial Operations Department. At Orange and Rockland, I also held the positions of Commercial and Industrial Engineer, Program Administrator - Demand-Side Management, Manager - Demand-Side Management Operations, Manager - Energy Services and Pricing, and Manager - Regulatory Affairs. In October 1999, I joined Con Edison and held the position of Department Manager – Electric and Gas Rate Design – O&R and Director prior to my present position. I have testified in numerous regulatory proceedings before the New York Public Service Commission ("Commission"), New Jersey Board of Public Utilities ("NJBPU") and Pennsylvania Public Utility Commission ("PAPUC").

(I am a Section Manager in the Rate Engineering Department. In 1993, I graduated from Rutgers College with a Bachelor of Arts degree in Economics. In 2001, I graduated from the Rutgers Graduate School of Management with a Masters degree in Business Administration in Finance. I joined Con Edison in 2004 as a Senior Analyst in the Rate Engineering Department.)
Department and worked in positions of increasing responsibility through 2012. In those positions, I worked on rate-related matters for Orange and Rockland and its regulated utility subsidiaries. In 2012, I moved to my current position working on electric rate matters for Con Edison. Prior to joining Con Edison, I was employed by: the NJBPU from 1993 to 2000, PricewaterhouseCoopers from 2000 to 2003, and Amerada Hess Corporation from 2003 to 2004. I have previously testified before the Commission, the NJBPU and the PAPUC.

(Mow) I hold the position of Senior Rate Analyst in the Rate Engineering Department. In 1988, I graduated from Pratt Institute with a Bachelor of Electric Engineering degree. I joined Con Edison as a Management Intern in 1988. I joined the Rate Engineering Department as a Rate Analyst in 1993, and was promoted to Senior Rate Analyst in 2001. I was assigned the responsibilities of revenue allocation and rate design for the Company’s electric customers in April 2010.
Q. What is the scope of your direct testimony in this proceeding?

A. Our testimony will:

1. present the Company’s proposal for revenue allocation and rate design;

2. present billing analyses showing the total bill effect of the proposed delivery rate changes on customers’ bills and Company revenues, including:
   - three years of bill projections for selected customer usage levels in major classes that not only show the effects of the proposed delivery rate increase, but those of expected changes in other charges, such as the Market Supply Charge (“MSC”) and Monthly Adjustment Clause (“MAC”);

3. present proposed tariff changes; and

4. describe two computer system enhancement programs, one associated with building interfaces to satellite billing information from certain billing programs, and the other associated with performing bill analyses on certain off-system data.

Q. Please summarize your testimony.
A. The Electric Rate Panel testimony is divided into four sections:

First, the Revenue Allocation section of the testimony explains that the proposed delivery revenue change for the twelve-month period ending December 31, 2014 ("Rate Year") consists of a Transmission and Distribution ("T&D") delivery revenue increase, a MAC increase, and a $13.2 million increase in purchased power working capital. The T&D delivery revenue increase is allocable to Con Edison customers and New York Power Authority ("NYPAPASNY") delivery service. The changes to the MAC are allocable only to Con Edison customers while purchased power working capital changes are allocable only to Con Edison full service customers.

In this testimony, we use "Current Rate Level" and "Current Rates" to describe rates and revenue levels associated with the rates that became effective April 1, 2012, including revenue neutral changes associated with the elimination of the declining block rate in SC 1 and phase out of declining block rates in SCs 2 and 9 that will become effective April 1, 2013.
as directed by the Commission in its Order Establishing Three-Year Electric Rate Plan, issued March 26, 2010, in Case 09-E-0428.

This section of the testimony proposes the following allocation of the T&D delivery revenue increase among Con Edison customer classes and NYPA.

Specifically, the Company proposes to:

- realign Rate Year T&D delivery revenue responsibilities at the Current Rate Level to reflect the revenue adjustments based on Table 1A of the Company’s 2010 Embedded Cost of Service ("ECOS") Study that was prepared by the Electric Demand Analysis and Cost of Service Panel;

- allocate the T&D delivery revenue increase allocable to all customers to each Con Edison class and NYPA in proportion to each class’s respective realigned Rate Year T&D delivery revenues and allocate the T&D delivery revenue increase associated with the increase in the MAC revenue requirement and changes associated with purchase power working capital to the Con Edison classes in proportion to each Con Edison class’s
respective realigned rate year T&D delivery revenue;

- adjust the total Rate Year T&D delivery revenue increase allocated to each class to reflect each class’s revenue adjustment based on Table 1A of the ECOS study, which reflects the impact of measures to mitigate the effect of the T&D delivery revenue increase on certain classes;

- allocate the change to total Rate Year T&D delivery revenue for each class between non-competitive and competitive service revenues. The portion of the T&D delivery revenue change assigned to competitive service revenues is determined by taking the difference between the competitive service revenues at the proposed rates, designed in accordance with the Commission's Statement of Policy on Unbundling and Order Directing Tariff Filings, issued August 25, 2004, in Case 00-M-0504 ("Unbundling Policy Statement"), and the competitive service revenues at Current Rates;
adjust the total Rate Year T&D delivery revenue increase by the change in competitive service revenues to determine the non-competitive Rate Year T&D delivery revenue increase for Con Edison classes; and

- restate the non-competitive Rate Year T&D delivery revenue increase for each class to an historic period non-competitive T&D delivery revenue increase for 12 months ended December 31, 2010, i.e., the period for which detailed billing data are available, for purposes of designing the proposed non-competitive T&D delivery rates.

This section also summarizes the approach used to mitigate the rate change to certain customer classes.

Second, the Rate Design section of the testimony:

- describes the design of the proposed rates for competitive services in accordance with the Unbundling Policy Statement;

- describes the design of the proposed non-competitive T&D delivery rates applicable to Con Edison customer classes to reflect their
respective share of the T&D delivery revenue increase;

• describes the design of the new rates in SC 9 Rate IV and Rate V and in PASNY Rate III and Rate IV, applicable to wholesale generators who take standby service for station use;

• describes the design of new Voluntary Time of Use ("VTOU") rates in SC 1 intended to promote off-peak charging of plug-in electric vehicles ("PEV");

• describes the design of the proposed delivery rates and competitive metering credits applicable to the P.S.C. No. 12 – Schedule for PASNY Delivery Service;

• summarizes the approach followed in the Revenue Allocation and Rate Design sections, which mitigates bill impacts to certain customer classes; and

• discusses the development of rates for customers newly commencing service under the Business Incentive Rate ("BIR") and Excelsior Jobs Program ("EJP").
Third, the Bill Analysis section of the testimony describes schedules to the Rate Design exhibit that:

- show the electric sales, revenues at Current Rates and proposed rates, and the resulting revenue change for the historic period, i.e., the 12 months ended December 2010, and the number of bills that would change in each class;
- compare the rates and charges at the Current Rate Level with the proposed rates and charges;
- present comparisons of total monthly Con Edison bills at the Current Rates and at the proposed rates for various consumption levels in order to show the effect of the changes in delivery rates on the total bills of customers billed under non-Time-of-Day (“TOD”) rates;
- present annual impacts on total Con Edison TOD customer bills at the proposed TOD rates as compared to the TOD rates at the Current Rate Level in order to show the effect of the changes in delivery rates on customers' total bills; and
- present bill comparisons for the three years commencing January 1, 2014, at rates based on
forecasted revenue levels for selected sizes of Con Edison customers showing the effect on a total bill basis of both the change in delivery rates as well as anticipated changes in other rates and charges.

Fourth, the Tariff Changes section of the testimony presents the proposed additional revisions to the electric tariff. These include:

- extension of the deadline to December 31, 2014, for applications to be made under BIR;
- an updated uncollectible bill expense component associated with the MSC and Adjustment Factors – MSC charges, which is included in the Merchant Function Charge ("MFC"), to reflect the updated uncollectible bill factor provided to us by the Electric Accounting Panel;
- an updated uncollectible bill expense component of the MAC and Adjustment Factor – MAC charges to also reflect the updated uncollectible bill factor provided to us by the Electric Accounting Panel;
ELECTRIC RATE PANEL

- an increase in the annual carrying charge percentage associated with interconnection charges assessed under SC 11 and under General Rule 20 of the electric tariff to reflect updated costs;
- changes in the “Customer Responsibility for Incremental Costs” provision under General Rule 5 of the electric tariff;
- specification of the Factor of Adjustment for line losses in General Rule 25.1 applicable to MSC cost components;
- an increase in the compensation amounts provided for losses related to service outages; and
- if directed by the Commission, the MSC or MAC provisions will be revised for recovery of contracted firm transmission service, public policy-related transmission charges and third-party provided ancillary services and any other new or future charges or changes in transmission or other costs charged to transmission owners or load-serving entities.

Q. Is the panel sponsoring any exhibits?
A. Yes, we are sponsoring three exhibits:

- Exhibit ___ (ERP-1) – Rate Design, Schedules 1-9;
- Exhibit ___ (ERP-2) – Petition of Consolidated Edison Company of New York, Inc. in Case 09-E-0428 (filed July 9, 2012); and
- Exhibit ___ (ERP-3) – Enhancements to the Customer Usage System.

Q. Did the Electric Accounting Panel supply you with the increased delivery revenue requirement for the Rate Year?

A. Yes, the increased delivery revenue requirement for the Rate Year amounts to $375.4 million, including $10.9 million related to gross receipts taxes (“GRT”) for a net increased delivery revenue requirement of $364.5 million.

Q. Of this amount, how much is associated with T&D delivery revenue increases, and how much is associated with changes to the revenue requirement for the MAC, and the purchased power working capital component of the MFC?
ELECTRIC RATE PANEL

A. The total net increased delivery revenue requirement of $364.5 million reflects the following: (1) a $298.0 million increase in T&D delivery revenues, (2) a $53.3 million increase in the MAC, and (3) a $13.2 million increase in purchased power working capital. The T&D delivery revenue increase is allocable to Con Edison customers and NYPA. The increase in the MAC revenue requirement is allocable to Con Edison full service and retail access customers. The change in purchased power working capital is allocable only to Con Edison full service customers.

Q. Please provide an overview of how you allocated the Company’s T&D delivery revenue increase of $298.0 million among Con Edison customers and NYPA.

A. We performed the following steps in allocating the T&D delivery revenue increase:

• Con Edison and NYPA Rate Year T&D delivery revenues at the Current Rate Level were realigned to reflect the revenue adjustments based on Table 1A of the Company’s 2010 ECOS study.

• The Rate Year T&D delivery revenue increase, after excluding the component associated with the
$13.2 million increase in the Purchased Power Working Capital and GRT, of $298.0 million was then allocated to Con Edison customers and NYPA, in proportion to their respective realigned Rate Year T&D delivery revenues. The revenue adjustments shown on Table 1A of the 2010 ECOS study for the Con Edison classes and NYPA were then added to the T&D delivery revenue increase allocated to each class to determine the total T&D delivery revenue increase allocated to each class.

Q. Have you made any other adjustments to the allocation of the T&D delivery revenue increase?

A. Yes. For SC 5 Rate II and SC 13, we have reflected only the portion of the revenue surplus of these classes that results in a zero overall T&D delivery revenue increase for these classes. For SC 5 Rate I, we have reflected only the portion of the revenue deficiency for this class that results in an overall T&D delivery revenue increase that is 2.5 times the overall system average percent T&D delivery revenue increase. Corresponding offsetting adjustments were
made to the T&D delivery revenue increases for classes that were average, i.e., neither surplus nor deficient.

Q. In allocating the proposed T&D delivery revenue increase, did you consider other measures to mitigate the effect of the T&D delivery revenue increase on customers’ bills?

A. Yes. The rate increases applicable to SC 12 Rate I and II customers were reduced to reflect the realignment of only one-third of the full $5.7 million revenue deficiency applicable to the combined Rate I and II class as indicated in Table 1A of the 2010 ECOS study. This was done to mitigate the impact on customers’ bills in this class due to a change in cost responsibility for SC 12. Absent this mitigation measure, the T&D delivery revenue increases to SC 12 customers would have been almost six times the system average increase.

Q. Please describe NYPA’s share of the T&D delivery revenue increase.

A. NYPA’s share of the T&D delivery revenue increase, excluding GRT, was determined to be $34.9 million.
This amount was increased by the total ECOS study deficiency of $26.7 million from Table 1A of Exhibit ____ (DAC-2) to yield a total T&D delivery revenue increase to NYPA of $61.6 million for the Rate Year.

Q. In determining NYPA’s share of T&D delivery revenue increases, did you consider mitigation measures?

A. Yes, but we did not implement any because NYPA’s share of the increase was close to the system average. Unlike SC 12 above, with increases of almost six times the system average absent mitigation measures, the NYPA T&D delivery revenue increase is about 1.8 times the system average increase. Comparable results occur in the T&D delivery revenue increases for SCs 2, 5 (Rates I and II), and 8.

Q. Please describe how you restated the Rate Year T&D delivery revenue increase applicable to NYPA for the historic period.

A. Revenue ratios were developed by dividing the applicable Rate Year revenues by the historic period revenues at the Current Rate Level. The revenue ratios were applied to the Rate Year T&D delivery
Q. Please describe how you developed the T&D delivery revenue increases applicable to the Con Edison classes for the historic period.

A. The increase applicable to the historic period was developed in three steps. First, the change in the T&D delivery revenue requirement was allocated between non-competitive and competitive service revenues. The Rate Year “non-competitive T&D delivery revenue increase” for each class was determined by adjusting the total Rate Year T&D delivery revenue increase allocated to each class by the change in competitive service revenues for each class.

Second, revenue ratios were developed for each class by dividing the Rate Year non-competitive T&D delivery revenues for each class by the historic period non-competitive T&D delivery revenues for each class at the Current Rate Level. Third, the revenue ratio for each class was applied to the Rate Year “non-competitive T&D delivery revenue increase” for each class to determine each class’s “non-competitive revenue increase to derive the T&D delivery revenue increase for the historic period.
T&D delivery revenue increase" for the historic period.

Q. Please explain the components of competitive service revenue and how you developed the change in competitive service revenue applicable to the Con Edison classes.

A. Competitive service revenues are comprised of revenues associated with: (a) the supply-related component of the MFC, including the purchased power working capital component, (b) the credit and collection ("C&C") related component of the MFC, (c) competitive metering charges, and (d) the billing and payment processing ("BPP") charge. The changes in competitive service revenues by class were developed by taking the difference between the competitive service revenues at the proposed rates, as described in the rate design section below, and the competitive service revenues at Current Rates.

Q. Please explain how you designed the proposed T&D delivery rates for Con Edison SCs.
A. The rate design process for the Con Edison SCs consisted of the following steps:

1. Determination of rates for competitive services in accordance with the Unbundling Policy Statement;

2. Determination of revenue changes applicable to competitive services;

3. Determination of the increase to be applied to non-competitive delivery charges; and

4. Design of rates for non-competitive delivery service to recover the non-competitive delivery revenue increase assigned to each class.

Q. Please describe the first step of the rate design process.

A. The first step was to develop the supply-related and C&C components of the MFC, a revised BPP Charge, and revised Metering Charges reflective of the competitive services previously described.

Q. Please describe the MFC.

A. As previously explained, the MFC consists of two components: a supply-related component, including a purchased power working capital component, and a C&C
related component. Separate MFCs are calculated for (1) SC 1 customers, (2) SC 2 customers, and (3) all other customers.

Q. Please describe how you designed the MFC.

A. As shown in Exhibit __ (DAC-2) - Schedule 2, Page 1 of the Electric Demand Analysis and Cost of Service Panel, the costs associated with the supply-related component are: (1) 0.22223 percent of total Con Edison T&D delivery revenues at Current Rates for SC 1 customers, (2) 0.03006 percent of total Con Edison T&D delivery revenues at Current Rates for SC 2 customers, and (3) 0.07429 percent of total Con Edison T&D delivery revenues at Current Rates for all other Con Edison customers. To determine the Rate Year revenue requirement associated with these costs for each service class group, the respective percentages were multiplied by the total Con Edison Rate Year T&D delivery revenue requirement at the proposed rate level. The resulting Rate Year revenue requirement for the supply-related portion of the MFC for each service class group was then divided by the Rate Year sales of full service customers for SC 1, SC 2, and
other Con Edison classes, respectively, to determine
the $/kWh supply-related portion of the MFC for each
service class group.

Q. Have you recognized in the computation of the supply-
related MFC rate component some allowance for working
capital on purchased power?

A. Yes. In accordance with the Unbundling Policy
Statement, we reflected in rates an allowance for
working capital on purchased power. Specifically, the
Electric Accounting Panel provided us with a purchased
power working capital allowance of $19.7 million,
excluding GRT. The proposed rate associated with
purchased power working capital has been computed by
dividing the purchased power working capital of $19.7
million by Rate Year full service customers’ sales to
derive a 0.1077 cent per-kWh charge that was added to
the applicable supply-related MFC component for each
service class group.

Q. Please continue.

A. As shown on Exhibit __ (DAC-2) – Schedule 2, Page 2 of
the Electric Demand Analysis and Cost of Service
Panel, the total costs associated with the C&C related
component of the MFC are 0.89942 percent of total Con Edison T&D delivery revenues at Current Rates. To determine the total Rate Year C&C related revenue requirement, this percentage was multiplied by the total Con Edison Rate Year proposed T&D revenue requirement. The total Rate Year C&C related revenue requirement was then split between full service and Purchase of Receivable (“POR”) customers based on the respective split of full service and POR forecasted Rate Year kWh sales. The portion of the C&C related Rate Year revenue requirement to be recovered through separate MFC rate components from full service customers was further allocated amongst (1) SC 1 customers, (2) SC 2 customers, and (3) all other customers based on the breakdown of relative class percentages shown on Exhibit __ (DAC-2) - Schedule 2, Page 2 of the Electric Demand Analysis and Cost of Service Panel testimony for full service customers’ portion of C&C costs. The resulting Rate Year revenue requirements for the C&C related portion of the MFC for each service class group were then divided by the respective Rate Year sales for full service customers
to determine the $/kWh C&C related component of the
MFC. The residual Rate Year C&C related revenue
requirement will be recovered as an adder to the POR
Discount rate.

Q. Do you propose to revise the BPP charge?
A. Yes. The current BPP charge of $1.04 per bill was set
in Case 09-E-0428. As noted in the testimony of
Electric Demand Analysis and Cost of Service Panel,
the current unbundled cost for electric billing and
payment processing totals $1.32 per bill, i.e., the
sum of the cost for printing and mailing of $0.58 per
bill and the cost for payment processing of $0.74 per
bill. In the contemporaneously filed Gas Rate Case,
the Gas Rate Panel testifies that the comparable
unbundled cost for billing and payment processing of
gas bills has been determined to be $1.20 per bill.
In order to have a consistent charge applicable to gas
and electric service, the electric BPP charge will be
set at $1.20 based on the BPP for gas service.
Similarly, ESCOs will pay $1.20 per bill per account
for consolidated billing services provided by the
Company.
Q. Please explain how you developed the competitive metering charges for customers, other than customers eligible to take service under Rider M - Day-Ahead Hourly Pricing?

A. As shown on Exhibit ___ (DAC-2), Schedule 3, which was prepared by the Electric Demand Analysis and Cost of Service Panel, competitive metering services recognize separate costing functions consisting of meter ownership, meter data service provider and combined meter service provider and meter installation costs. To determine each service class’s Rate Year revenue requirement associated with each of these costing functions, the percentages shown on Exhibit ___ (DAC-2), Schedule 3 of the Electric Demand Analysis and Cost of Service Panel’s testimony, which represent, for Rate I of SC Nos. 5, 8, 9, and 12, the class share of each function as a percentage of total Con Edison T&D delivery revenues at Current Rates, were multiplied by the total Con Edison Rate Year T&D delivery revenue requirement. The resulting Rate Year competitive metering related revenue requirement for each eligible service class was then divided by each
service class’s annual number of bills for the Rate Year to determine the $/bill metering charge applicable to each competitive metering function.

Q. How do you propose to establish the meter ownership, combined meter service provider and meter installation charges and meter data service provider charges applicable to Rate I of SC Nos. 5, 8, 9, and 12 full service and retail access customers eligible to take service under Rider M – Day-Ahead Hourly Pricing and the meter data service provider charges applicable to Rate II customers in SC Nos. 5, 8, 9, and 12 and Rate I in SC No. 13?

A. We propose that the meter ownership, combined meter service provider and meter installation charges and meter data service provider charges applicable to Rate I of SC Nos. 5, 8, 9, and 12 full service and retail access customers eligible to take service under Rider M – Day-Ahead Hourly Pricing and the meter data service provider charges applicable to Rate II customers be set equal to the metering costs set forth on Exhibit __ (DAC-2), Schedule 4 to the Electric Demand Analysis and Cost of Service Panel’s testimony,
increased by the overall percentage change in Con Edison Rate Year T&D delivery revenue.

Q. Please explain how you developed the meter ownership and combined meter service provider and meter installation charges for Rate II customers in SC Nos. 5, 8, 9, and 12 and for Rate I customers in SC No. 13.

A. We developed the class-specific meter ownership and combined meter service provider and meter installation charges by applying the percentages shown on Exhibit __ (DAC-2), Schedule 3 of the Electric Demand Analysis and Cost of Service Panel’s testimony, which represent the class share for each of these functions as a percentage of total Con Edison T&D delivery revenues at Current Rates, to the total Con Edison Rate Year T&D revenue requirement. The resulting Rate Year revenue requirement for each service class is then divided by each service class’s number of bills for the Rate Year to determine the $/bill metering charges applicable to each competitive metering function.

Q. What is your proposal for Special Provision D of SC 9 of the Company’s Schedule for Electricity Service,
P.S.C. No. 10 - Electricity ("P.S.C. No. 10 - Electricity")?

A. We propose to phase out Special Provision D. Special Provision D is an optional rate that has been available to SC 9 customers billed under Rate I whose entire space heating requirements are supplied electrically. Customers that elected service under this special provision receive a rate discount in the form of a reduction to the registered demand that is billed in the winter months.

Q. Why are you proposing to phase out Special Provision D?

A. Pursuant to the Order Establishing Rates for Electric Service, issued and effective on March 25, 2008, in Case 07-E-0523, the Company stopped taking applications for service under Special Provision D after March 31, 2008, and grandfathered existing customers under this special provision. In this proceeding, we propose to phase out the rate discount over five years for customers remaining under this special provision. This proposal is consistent with the phase-out of the SC 7 space heating rate that is
Q. How do you propose to phase out the rate discount under Special Provision D in SC 9?

A. The phase out will be accomplished over five winters, commencing winter 2014-2015. Currently, the customer’s measured demand in kW is reduced by the lower of 50% of (a) the connected kW load of the space heating equipment or (b) the kW space heating requirements determined from the Company’s heat impact survey; provided, however, that the demand billed must equal at least the greater of 5 kW or 50% of the measured demand. The 50%, as applied above to the lesser of the kW connected space heating load or kW space heating requirements, will be reduced in increments of 10% each winter, such that a 0% reduction will apply commencing winter 2018-2019 and thereafter. The demand billed must equal at least the greater of 5 kW or the product of (a) the measured demand, and (b) 1 minus the applicable percentage reduction. (That is, if the kW demand is reduced by 30% of the kW connected
space heating load, the billed demand must equal at least 5 kW or 70% of the measured demand.)

Q. Will there be customer outreach activities associated with this proposed change?

A. Yes. The customer outreach activities are discussed in the testimony of the Customer Operations Panel.

Q. What is your proposal for the maximum rate of SC 9 General - Large?

A. We propose that the current maximum delivery rate applicable to SC 9 Rate I, effective April 1, 2012, be increased by 25 percent. Also, the Company proposes to discontinue application of this rate to any customers who commence service under SC 9 Rate I on and after January 1, 2014.

Q. When was this rate first introduced?

A. It was first implemented in September 1970 when SC 9 General - Large was implemented. Prior to that time, all commercial and industrial customers were served under one classification, SC 2 - General.

Q. Why was a maximum rate provision incorporated into SC 9?
A. When SC 9 was first introduced, certain types of large commercial customers were characterized by very poor load factors. Under the demand and energy rate design established for SC 9 at that time, the resulting charges, when recalculated on an equivalent per kilowatt-hour basis, could have been very high. Accordingly, the Company incorporated a maximum rate provision into SC 9 to minimize the impact on such customers until they could adapt to the demand and energy rate form. There was no cost basis for the maximum rate; the maximum rate was only a bill mitigation measure for poor load factor customers.

Q. Has the Company considered eliminating this rate in past rate cases?

A. Yes. Historically, the Company has increased the SC 9 maximum rate by double the overall rate percentage increase applicable to SC 9 (Rate I), with the goal of eventually eliminating the SC 9 maximum rate provision. Currently, only about five percent, or about 7,000, of the 130,000 SC 9 Rate I customers are billed under the SC 9 maximum rate.
Q. Why are you proposing that the maximum delivery rate applicable to SC No. 9 Rate I be increased by 25% instead of following past practice where it was increased by two times the overall T&D delivery rate increase?

A. Despite the Company’s efforts to eliminate the SC 9 maximum rate by assigning it increases equal to two times the overall T&D delivery rate increase in past cases, not much progress has been made in reducing the number of customers qualifying for this discount. We feel that a more aggressive approach is warranted in order to eliminate this rate and the resultant subsidization of customers paying only the maximum rate by other customers.

Q. Please describe how you designed the non-competitive charges for the Con Edison SCs to collect the increased non-competitive T&D delivery revenue.

A. We applied the following guidelines in designing the proposed rates:

- The customer charges in SC 1 Residential and Religious (Rate I), SC 2 General Small (Rate I), and SC 6 Public and Private Street Lighting were
increased to better reflect the Company’s cost to provide service. For SC 1 customers taking service under the low-income customer rate program, the customer charge was reduced by $8.50 per month from the otherwise applicable SC 1 customer charge. This proposed low-income customer charge was designed to recognize an annual level of low income program funding of $38.25 million as discussed by the Electric Customer Operations Panel. After accounting for the change in the SC1 Residential and Religious (Rate I), SC2 General Small (Rate I) and SC6 customer charges, the per kWh charges for these classes were designed to recover the balance of the residual revenue requirements assigned to each respective class.

- The customer charges applicable to voluntary TOD rates for SCs 1 and 2 (Rate II) have been set equal to the Rate I customer charges of SCs 1 and 2, respectively, plus the incremental cost associated with a TOD meter. Consistent with past practice, voluntary TOD rates for SCs 1 and
2 (Rate II) were designed to recover each class’s overall T&D delivery revenue requirement. The rates have been designed to be revenue neutral, i.e., the rates yield the same level of service class revenues that the Company would receive under the proposed conventional rates. After accounting for the change in the SC 1 Rate II and SC 2 Rate II customer charges, the per-kWh charges for these classes were designed to recover the balance of their residual revenue requirement.

- As explained above, the current SC 9 maximum rate was increased by 25 percent consistent with our goal of eventually eliminating this rate.

- For SC 12 customers billed for energy only, the minimum charge and the per-kWh charges were increased by the overall non-competitive T&D delivery rate increase applicable to the SC 12 (Rate I) customer class.

- Following past practice, the mandatory TOD rates for SCs 5, 8, 9, 12, and 13 and voluntary TOD rates for SC 8, 9, and 12 were designed to
collect the increased revenue requirement applicable to these classes. The per-kWh rates were set equal across classes. The per-kWh rates were determined by increasing Current Rates per-kWh by the ratio of the proposed non-competitive kWh revenue requirement for these classes to the current level of non-competitive T&D delivery revenue collected from the per kWh charges in these classes. The demand rates in each of these classes were then adjusted to recover the residual non-competitive T&D delivery revenue requirement for each of these classes. Voluntary TOD rates were designed to recover the class revenue requirement of all customers not billed under mandatory TOD rates.

- Demand rates for SC 5, and 12 Rate I and SC5, 8 and 12 Rate II were designed to better reflect the differential between high and low tension services as indicated by the 2010 ECOS study.
- The reactive power demand charge, including the charge for induction-generation equipment, was increased to reflect updated costs. For the
induction-generation equipment, the reactive power demand charge was set equal to the updated reactive power demand charge applicable to customers without induction-generation equipment.

- The minimum charges for SC 5, 8 and 12 Rate I demand rates were increased by 5 percent before the application of the non-competitive T&D delivery revenue requirement increase to better reflect the customer cost indications as shown in the 2010 ECOS study.

- Standby rates applicable under Rate III and Rate IV of SC 5, Rate IV and Rate V of SC 8, 9, and 12, were developed consistent with the Commission’s Opinion No. 01-04, Opinion and Order Approving Guidelines for the Design of Standby Service Rates, issued and effective October 26, 2001 (“Standby Rates Order”) in Case 99-M-1470.

In accordance with the standby rate guidelines set forth in the Standby Rates Order, rates were developed for each standby class to be revenue neutral at the proposed revenue level. The Standby Rates Order (p. 7) defines revenue
neutral as “the full service class (not any individual customer) would contribute the same revenues if the full class was priced under either the standard service class rates or the standby rates (given the historic usage patterns of the customers in that class).” Since there is no proposed increase for SC 13, Rate II of SC 13, which is applicable to standby service, remains at the Current Rate Level.

To comply with FERC’s Order in Duke Energy Moss Landing, 134 FERC 61,115, which was recently affirmed on appeal, SC 9 standby rates applicable to wholesale generators taking service for station use through the Company's distribution system have been determined by removing the transmission component from the matrix contained in Appendix A of the PSC’s Order of July 29, 2003, in Case 02-E-0781. Due to the uncertainty of the revenues associated with standby service to wholesale generators, if the proposed standby rates for wholesale generators are adopted by the Commission, we propose to defer any revenues
derived from such standby rates for the benefit
of all delivery customers.

- The rates under Rider I – Experimental Rate
  Program for Multiple Dwellings were also updated
  to recognize the proposed SC 8 Rate IV standby
  rates on which these rates are based.

- The customer charges and distribution contract
  demand charges in SC 11 – Buy-Back Service were
  set equal to the customer charges and contract
  demand charges in Rate III and IV of SC 5, Rate
  IV and Rate V of SC 8, 9, and 12, and Rate II of
  SC 13.

Q. Is the panel proposing any changes to the SC 1 VTOU
rate?

A. Yes. We are proposing a new rate design. The Company
proposes to add a new VTOU rate, Rate III, under SC 1
- Residential and Religious. This rate is proposed to
be available to all SC 1 customers. The proposed SC 1
Rate III is designed to encourage the shifting of
residential usage away from both supply and delivery
peak periods. By offering attractive off-peak supply
and delivery rates, particularly during the summer, it
also encourages SC 1 customers who have a plug-in electric vehicle ("PEV") to engage in vehicle-charging at their residence during those off-peak hours.

Q. Please describe the proposed SC 1 VTOU rate design periods.

A. The on-peak and off-peak periods for new Rate III have been set based on patterns of system and customer load curves and consideration of potential impacts on area substations. The supply and delivery charge time periods indicated below are separately specified for the summer (June 1 through September 30) and non-summer (October 1 through May 31) billing periods.

<table>
<thead>
<tr>
<th></th>
<th>On peak</th>
<th>(Supply Only)</th>
<th>Off peak</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Supply</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-summer</td>
<td>Daily, 7 AM to 1 AM</td>
<td>n/a</td>
<td>Daily, 1 AM to 7 AM</td>
</tr>
<tr>
<td>Summer</td>
<td>Daily, 7 AM to 2 PM</td>
<td>M- F, 2 PM to 6 PM</td>
<td>Daily, 1 AM to 7 AM</td>
</tr>
<tr>
<td></td>
<td>and 6 PM to 1 AM</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Delivery</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All year</td>
<td>Daily, 7 AM to 1 AM</td>
<td>n/a</td>
<td>Daily, 1 AM to 7 AM</td>
</tr>
</tbody>
</table>
Q. Please discuss the VTOU supply rate design.

A. Supply charges for customers purchasing their electricity from Con Edison are designed with two time periods during the winter months and three time periods during the summer months. The winter supply periods correspond to the winter delivery rate periods: an on-peak period from 7 A.M to 1 A.M daily and an off-peak period encompassing all other hours. The summer time periods consist of a “super” on-peak period from 2 PM to 6 PM on weekdays; an off-peak period from 1 AM to 7 AM daily; and an on-peak period consisting of all other hours.

Energy supply charges during each of these periods will be calculated by applying class load shapes to the NYISO day-ahead energy prices and adding charges for ancillary services and NTAC, adjusted by a loss factor, the same as the design of the existing SC 1 VTOU rate. Capacity costs will be collected during the super-on-peak period only; no capacity charges will be assigned to any other hours.

Q. Please discuss the decision to add a supply-only super-peak period.
A. The Company has set the on-peak period for supply based on an examination of system load shapes for the past five years as well as its reasonableness in the context of a thirty-year analysis of system peaks.

In large part, capacity costs are determined by the customers’ demand at the time of the system peak. To align supply pricing with capacity cost causation, the Company will collect annual capacity costs under this new rate through the capacity component of the MSC on weekdays during the summer “super-peak” period only.

This differs from the recovery of capacity costs under the existing SC1 VTOU rate (i.e., Rate II), which assigns capacity costs monthly to kWh usage during the 12-hour weekday on-peak period, and under the standard SC 1 rate, which assigns capacity costs monthly to all kWh usage without regard to time.

Q. Please describe the VTOU delivery rate design.

A. Delivery rates for the proposed VTOU rate class are designed for two time periods: an on-peak period from 7 AM to 1 AM each day and an off-peak period encompassing all other hours. The delivery rates have
been designed to be revenue neutral with respect to the existing total SC 1 class on both a seasonal and annual basis. The proposed customer charge was set equal to the existing customer charge in Rate I of SC 1 with the addition of an incremental meter charge for a meter upgrade to accommodate time-of-use pricing.

Recognizing the goals of avoiding incremental capacity expansion and maintaining network reliability, the Company analyzed the on-peak period for the delivery system based on peak demand data for area substations. These substations may serve loads on one or more networks. The Company also analyzed peak-day usage for various-sized SC 1 residential customers. The analysis showed that peaks occurred between 8 PM and 11 PM, with the SC 1 class peak occurring at 9:30 PM.

The proposed delivery rate design recognizes potential growth in the PEV market and supports off-peak charging behavior by offering a low, year-round off-peak delivery rate, while allowing sufficient time for PEV owners to fully charge their vehicles.
Q. What are the plans for customers on the existing rate and applicants for service under that rate?

A. Customers on the existing SC1 VTOU rate will be grandfathered. Existing customers will have the option to transfer to the new VTOU rate but may not return to the existing rate. The Company proposes to accept no applications for service under the existing SC 1 VTOU rate after December 31, 2013. The Company's analysis of peak usage of various-sized SC 1 residential customers, which led to concerns with maintaining a rate that offers lower rates for usage starting at 10 PM, was an important factor in the decision to propose closing this class. This rate no longer provides appropriate price signals.

Q. Are any other changes planned to SC 1?

A. Yes. Under Special Provision D, customers with thermal storage systems are allowed to have a separate account, served under the VTOU rate, for off-peak water heating. With the phase-out of the existing SC1 VTOU rate, the Company proposes to terminate this option for existing Special Provision D customers with the goal of having consistent VTOU time periods that
provide the appropriate pricing signals. Since ten
years is the average life of water heating equipment,
the Company proposes to discontinue Special Provision
D in ten years. The Company assumes that, during the
ten-year period, the three existing Special Provision
D customers will have eliminated the equipment they
now use to take advantage of this rate.

The Company proposes to accept no new application
for service under Special Provision D of SC 1 after
December 31, 2013. This rate has the same off-peak
period as the existing VTOU rate, which as discussed
above, no longer provides appropriate price signals.

Q. What if the customer wants to be billed separately for
electrical use associated with PEV chargers?
A. The PEV charging station would have to be metered
separately from the residential service. Chargers for
home use typically use less than 10 kW and would be
billed under SC 2 provided the equipment rating does
not exceed 10 kW.

Q. Is the Company proposing any changes to its pole
attachment rental rate in this proceeding?
A. No. Rider K to the Company’s electric tariff states that the Company may file annually a new pole attachment rental rate. Historically, the Company has filed to adjust pole attachment charges outside a base electric delivery rate proceeding. The Company is currently considering whether to file a revised pole attachment rental rate. The Company felt it appropriate to disclose that this filing may occur during the pendency of this proceeding.

Q. Would that filing impact a decision in this proceeding?

A. If the Company does make that filing, and the Commission approves a change in the Company’s pole attachment rental rate before base delivery rates are established in this proceeding, the Company will provide appropriate notification of the forecasted impact on projected pole attachment rental revenues for the Rate Year to the presiding officers, Staff, the active parties and/or to the Commission, as appropriate. The Company will defer to the presiding officers and/or to the Commission whether the Company
should update the revenue requirement in this proceeding to reflect this information.

Q. Please discuss how you designed the proposed delivery rates for NYPA.

A. Rate I and Rate II charges under the PASNY No. 12 delivery service rate schedule were increased by the overall T&D delivery revenue percentage increase applicable to NYPA and Rate I charges were designed to better reflect the differential between high and low tension service as indicated by the 2010 ECOS study. Consistent with the standby rate guidelines in the Standby Rate Order, Rate III and IV rates were developed for each class within the NYPA tariff to be revenue neutral at the proposed revenue level, i.e., Rates III and IV were developed to produce the same delivery revenues as the equivalent non-standby rates.

Q. Did you change the competitive metering credits for customers served under the PASNY tariff?

A. Yes. On Exhibit __ (DAC-2) - Schedule 3, the embedded costs for each of the competitive metering functions are expressed as a percentage of total NYPA delivery revenues at Current Rates for non-TOD demand billed
customers and for TOD billed customers. To determine the Rate Year revenue requirement associated with competitive metering functions for the TOD and non-TOD demand billed classes, the respective percentages were multiplied by the total NYPA Rate Year revenue requirement. The resulting Rate Year revenue requirement associated with competitive metering functions for these demand billed customers was then divided by the applicable annual number of bills to determine the $/bill metering credit applicable to each competitive metering function. For TOD-billed customers, the meter data service provider charge was set based on metering costs as shown on Exhibit (DAC-2), Schedule 4 to the Electric Demand Analysis and Cost of Service Panel’s testimony increased by the overall percentage change in NYPA Rate Year T&D delivery revenue.

Q. In determining the allocation of the proposed T&D delivery revenue increase and associated rate design, did you consider any measures to mitigate the effect of the rate increase on customers’ bills?
A. Yes. The Company’s revenue allocation and rate design as described above reflect the following mitigation measures: the overall T&D delivery revenue increase applicable to SC 5 Rate I has been limited to 2.5 times the overall system average percent T&D delivery revenue increase; the rate increases applicable to the SC 5 Rate II and SC 13 surplus classes were partially reduced by the surplus indications from the Company’s 2010 ECOS study, thereby resulting in zero overall T&D delivery revenue increases for these classes; rate increases applicable to SC 12 Rates I and II customers were mitigated by reflecting only one-third of the revenue deficiency; and low-income customers will continue to receive a reduced customer charge, thereby affording them continued rate relief.

Q. Have you updated the discounts for the BIR (Rider J) and EJP (SC 9 Special Provision H)?

A. Yes. The rate discounts applicable to customers who commence service under the BIR or EJP on or after January 1, 2014, as reflected in Rider J and SC 9 Special Provision H, have been set to be reflective of marginal costs as set forth in Exhibit ___ (DAC-3),
Schedule 2 of the Electric Demand Analysis and Cost of Service Panel. The rate discounts were based on one minus the ratio of the marginal costs to the corresponding revenue requirement for the respective class. BIR percentages have been rounded to the nearest whole percentage.

Q. Have you verified that the proposed rates for the Con Edison classes and NYPA will produce the revenue increase proposed by the Electric Accounting Panel when those rates are applied to projected Rate Year sales?

A. We have provided the Electric Forecasting Panel with the proposed rates, and they have performed this verification.

BILLING ANALYSIS

Q. Having computed revised rates for each service class, have you prepared exhibits showing what the estimated impact on customers’ bills would be under the proposed rates?

A. Yes. We prepared a document, the first page of which is entitled “CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. ESTIMATED EFFECT ON ELECTRIC CUSTOMERS’ BILLS AND
ELECTRIC RATE PANEL

COMPANY REVENUES RESULTING FROM PROPOSED ELECTRIC RATES BASED ON SALES AND REVENUES FOR THE 12 MONTHS ENDED DECEMBER 31, 2010.”

Q. Was this document prepared under your direction and supervision?
A. Yes, it was.

MARK FOR IDENTIFICATION AS EXHIBIT __ (ERP-1)

Q. Please continue.
A. Exhibit __ (ERP-1) includes 12 schedules that show the estimated impact on customers’ bills resulting from the proposed rates.

Q. Please explain each schedule.
A. Exhibit __ (ERP-1) – Schedule 1, shows, for P.S.C. No. 10, by SC, the number of monthly bills rendered, kilowatthours delivered, and the revenues for the 12 months ended December 31, 2010, that would have been derived from Con Edison full service and retail choice customers at the conventional and TOD rates at the Current Rate Level. The annualized revenues reflect the effect of an estimated MAC and MSC for both full service and retail choice customers.
Exhibit __ (ERP-1) – Schedule 2 shows, for P.S.C. No. 12, the number of bills rendered on NYPA customer accounts, kilowatthours delivered, and the annualized revenues for the 12 months ended December 31, 2010 that would have been derived at the Current Rates. The annualized revenues include an estimated supply cost for NYPA customers based on NYPA’s 2012 production rates for governmental customers.

Exhibit __ (ERP-1) – Schedule 3 shows a comparison of Current Rates and proposed Rate Year Con Edison Rates and Charges. It consists of 36 tables, headed by an index sheet, which covers all of the existing SCs. Each table consists of two columns. The left hand column shows the rates and charges at the Current Rate Level, and the right hand column shows the proposed rates and charges.

Exhibit __ (ERP-1) – Schedule 4 shows a comparison of the Current Rates and proposed Rate Year P.S.C. No. 12 rates and charges. It consists of six tables. Each table consists of two columns. The left hand column shows the rates and charges at the Current Rate Level,
and the right hand column shows the proposed rates and charges.

Exhibit __ (ERP-1) – Schedule 5 shows bill comparisons for Con Edison customers at Current Rates and at the proposed rates. It consists of 72 tables headed by 4 index sheets. The tables show comparisons of monthly bills at various consumption levels under conventional rates and charges at the Current Rate Level and under the proposed conventional rates and charges for the Con Edison SCs. In these comparisons, the same MSC, System Benefits Charge ("SBC") and Renewable Portfolio Standard ("RPS") rates and the surcharge related to recovery of the assessment under section 18-a of the Public Service Law ("PSL 18-a surcharge") are assumed in the bill amounts at Current Rates and the proposed bill amounts in order to demonstrate the impact of the change in delivery rates on a customer’s total bill amount, including the increase in fixed generation costs to be included in the proposed MAC. These comparisons show bills covering the reasonable range of monthly use for the classes shown.
ELECTRIC RATE PANEL

Exhibit __ (ERP-1) - Schedule 6 shows, for each TOD SC, the annual percentage change in customers’ bills under TOD rates at the Current Rate Level and proposed TOD rates based upon consumption levels for the 12 months ended December 31, 2010. In these comparisons, the same MSC, SBC and RPS rates and PSL 18-a surcharge are assumed in the bill amounts at the Current Rate Level and proposed bill amounts in order to demonstrate the impact of the change in delivery rates on a customer’s total bill amount, including the increase in fixed generation costs to be included in the proposed MAC.

Exhibit __ (ERP-1) - Schedule 7 shows, for each Con Edison SC, the estimated change in revenues under the proposed Rate Year conventional and TOD rates and charges, the overall percentage change by SC, and the estimated effect on customers’ bills based on sales and revenues for the historic period.

Exhibit __ (ERP-1) - Schedule 8 shows for the historic period the estimated increase in PASNY No. 12 delivery service revenues under the proposed Rate Year rates and charges.
Q. Have you prepared any analyses that show the change in total Con Edison customers’ bills taking into account both the increase in proposed delivery rates and other expected changes, such as changes in the MAC?

A. Yes. We have prepared Exhibit __ (ERP-1) - Schedule 9 entitled “PROJECTED ELECTRIC BILLS.” In this schedule, we provide bill comparisons for the three 12-month periods commencing January 1, 2014 at projected levels for the following customers: (1) an SC 1 residential customer using 300 kWh per month; (2) an SC 1 residential customer using 450 kWh per month; (3) an SC 2 customer using 600 kWh per month; and (4) an SC 9 Rate I customer with a maximum demand of 30 kW and load factor of 50 percent.

Q. Please explain this Schedule.

A. Schedule 9 of Exhibit __ (ERP-1) shows average monthly bills for these selected sized customers at proposed rates and charges for each 12-month period. In these comparisons, the supply and delivery related portions of the bills are also shown. The supply charges reflect the effect of projected MSC and MAC charges based on the supply cost projections made by Company
witness Kimball. The delivery charges consist of projected non-competitive T&D charges and projected competitive service charges based on three years of projected delivery revenue requirements provided by the Company witness Muccilo (Electric Accounting Policy). Delivery charges also include the effect of projected changes in the SBC and RPS charge. The level of the PSL 18-a surcharge has been assumed to recover $77 million for all years.

**TARIFF CHANGES**

Q. What is the Business Incentive Rate (“BIR”)?

A. The BIR (Rider J of P.S.C. No. 10 – Electricity) is a discounted delivery rate to promote economic development. It is available to businesses that open in new or formerly vacant buildings, to customers who receive a comprehensive package of economic incentives conferred by a governmental agency, and to customers who participate in either the biomedical research program or the business incubator program.

Q. Is the Company proposing to continue its BIR program?

A. Yes. Since the BIR program supports the Company’s continued efforts to foster economic development in
Q. Are you proposing any change to the BIR delivery rate reductions?
A. As explained in the rate design section of our testimony, the Company has set BIR percentage discounts for customers who commence service under that program on or after January 1, 2014, to be reflective of marginal costs as set forth in Exhibit ___ (DAC-3), Schedule 2 of the Electric Demand Analysis and Cost of Service Panel.

Q. Are you proposing to change the rate reduction applicable to customers already taking service under BIR?
A. No.

Q. Are you proposing any change to the Excelsior Jobs Program reduction in SC 9?
A. Yes. The delivery rate reduction for each SC 9 rate class, which is currently zero percent, will be changed for customers who commence service under the Excelsior Jobs program as of January 1, 2014.

Q. What are the percentage reductions?
A. The percentage reductions for customers who commence service under the Excelsior Jobs program on or after January 1, 2014, will be the same as the percentage discounts applicable to BIR customers who commence BIR service on or after January 1, 2014.

Q. Have you made any changes to General Rule 5.3.5?

A. Yes. As described by the Electric Infrastructure Investment Panel, the Company has modified General Rule 5.3.5, “Customer Responsibility for Incremental Costs” (Leaf 40) to indicate that: (a) the total construction cost excludes the cost of the actual transformer(s); and (b) the customer’s cost contribution when the total construction cost exceeds $2 million will be the lesser of (i) the total construction cost in excess of $2 million or (ii) the Company’s incremental cost. The incremental cost equals the total construction cost less the customer’s line-extension cost responsibility under General Rule 5.4.3 or 5.5.3 less five times the estimated annual pure base revenue.
Q. Are you proposing a change to the provisions of Con Edison’s tariff that require the Company to provide compensation for losses related to service outages?

A. Yes. The Company’s tariff (at General Rule 21.1) currently provides (a) for residential customers, actual losses of perishable prescription medicine, and up to $450 for food spoilage, and (b) for commercial customers, up to $9,000 for loss of perishable merchandise. Claimants must provide proof of loss, with the exception of residential claimants, who will be reimbursed without proof of loss for food spoilage up to $200 upon submission of an itemized list. We propose to increase the compensation limits for residential customers for food spoilage with and without proof of loss from $450 to $500 and from $200 to $220, respectively, and for commercial customers from $9,000 to $9,900.

Q. What is the basis for the proposed increases?

A. The proposed compensation limits were set following the methodology prescribed in the Commission’s November 23, 2007 Order Concerning Tariff Provisions Governing Reimbursement For Food Spoilage in Case 06-
E-0894 ("Reimbursement Order"). The methodology in
the Reimbursement Order provides for updating the
compensation limits based on applying the Gross
Domestic Product Deflator ("GDPD") to current
reimbursement limits. Based on the percentage change
in the Implicit Price Deflators ("IPD") for GDPD for
personal consumption expenditures from the second
quarter 2007 amount (105.153) to the third quarter
2012 amount (115.949), current tariff compensation
limits were increased by 9.8 percent and rounded to
the closest multiple of $10 for residential customers,
and to the closest multiple of $100 for commercial
customers. We used the second quarter 2007 IPD amount
because that was the IPD at the time (July 1, 2007)
the current compensation limits became effective.

Q. What additional tariff changes are you proposing?
A. The following changes are proposed:

- With respect to the low-income program: (a) SC 1
  rate provisions have been amended (Leaf 388) to
  allow for continuation of the low-income customer
  charge discount for the period January 1, 2014
  through December 31, 2014, at an annual reduction
level of $38.25 million, which is addressed in the rate design section of our testimony and the testimony of the Electric Customer Operations Panel; (b) General Rule 15.2 of P.S.C. No. 10 – Electricity (Leaf 119) has been revised to restore the level of the waiver of reconnection charges to the full amount of the charge and to establish a “once per account” waiver limitation for customers enrolled in the low-income program at any time during the period April 1, 2010, through December 31, 2014, up to a target amount of $500,000, as discussed in the testimony of the Electric Customer Operations Panel; and (c) the “Food Stamps” program, one of the programs that qualify a customer to participate in the low-income program (Leaf 388), has been changed to “Supplemental Nutrition Assistance Program,” to reflect the change to the program’s name pursuant to Chapter 41 of the Laws of 2012.

- General Rule 6.6 of P.S.C. No. 10 – Electricity (Leaf 62) has been revised to recognize a recommendation made by the Electric Customer Operations Panel. Specifically, customer-provided
pilot wiring is no longer required to bill an account with more than one meter on the basis of coincident maximum demand, if all the meters on the customer’s account measure and record kW and kVar interval data as part of the reactive power demand program for customers with demands of 500 kW or greater. (At present, if the account does not have customer-provided pilot wiring, it is billed on the basis of “additive” demand.) Revisions have also been made to General Rule 6.6 to eliminate the prohibition against billing an account on the basis of coincident demand if the rated capacity of one watthour meter on the account is less than one percent of the rated capacity of any other watthour meter or watthour meters to be billed on the same account. As explained in the testimony of the Electric Customer Operations Panel, this restriction is no longer necessary due to technological changes.

As explained by the Electric Customer Operations Panel, General Rule 10.8 of P.S.C. No. 10 - Electricity (Leaf 88) has been modified to indicate that SC 5, 8, 9, and 12 - Rate I accounts billed for
both high tension and low tension demand on a coincident demand basis will be billed based on the readings of each meter, if the customer participates in the reactive power demand program and interval data is available to determine the high tension and low tension coincident peak demands. (At present, high tension demand is billed by multiplying the total coincident demand by the ratio of the high tension non-coincident demand to the sum of the high and low tension non-coincident demands, and low tension demand is billed based on the difference between the high tension demand, as determined above, and the coincident maximum demand.) A similar change has been made to item (2) of the “Billing of Charges” section contained in the General Provisions of P.S.C. No. 12 – Electricity (Leaf 15).

- “SC 7” has been deleted from leaves filed in this rate case, because that rate will be merged into SC 1 as of April 1, 2013, pursuant to the Rate Order adopted by the Commission in Case 09-E-0428.
• No new applications for service will be accepted under Rider E – Series Metering – Owner’s or Landlord’s Agreement and Rider F – Series Metering – Tenant’s Agreement of P.S.C. No. 10 – Electricity. Riders E and F were first established in 1937 and allowed an owner or landlord to redistribute electric service to tenants through series meters instead of submeters. Because these Riders were established before the Company’s merger with other utilities, series metering is not available in Westchester or Staten Island. The Company proposes to discontinue offering series metering, because (a) it is offered only in certain areas of the service territory, and (b) submetering is a viable alternative to series metering.

• The Company has clarified how charges are applied to bills in General Rule 10.5 (Leaf 85) and General Rule 30.2 (Leaf 363). General Rule 10.8 (Leaf 89) was deleted and incorporated into General Rule 10.5.

• For improved clarity, text about the Increase in Rates and Charges on PASNY Leaf 16 was moved to PASNY Leaf 10.
To conform to changes described in the rate design section of this testimony, tariff changes were made to indicate that: (a) no customer may commence SC 1 Rate II service after December 31, 2013 (Leaf 389); (b) there is a new SC 1 voluntary time-of-day rate, SC 1 – Rate III (Leaf 389.1); (c) no customer may commence service under SC 1 Special Provision D after December 31, 2013, and SC 1 Special Provision D sunsets on December 31, 2023 (Leaf 395); (d) the SC 9 Rate I Maximum Rate will not be available unless the customer was served under SC 9 Rate I on or before December 31, 2013 (Leaf 446); and (e) SC 9 Special Provision D will be phased-out over five years (Leaf 458). Also, to reflect the minimum charge increase under Rate I of SCs 5, 8, and 12, the SC leaves for those rates were revised to identify the minimum charge for the first kW rate block.

The residential and commercial Uncollectible Bill ("UB") factors related to the UB expense associated with MSC and Adjustment Factors-MSC charges have been updated in General Rule 25.3(d) of P.S.C. No. 10 –
Electricity (Leaf 336), based on the system UB factor provided to us by the Electric Accounting Panel.

- The UB factor related to the UB expense associated with MAC and Adjustment Factors—MAC charges has been updated in General Rule 26.1.2(b) of P.S.C. No. 10 — Electricity (Leaf 344) to reflect the system UB factor provided to us by the Electric Accounting Panel.

- As described by the Electric Accounting Panel, the Company has updated and unbundled the corporate overheads in General Rule 17.3 of P.S.C. No. 10 — Electricity (Leaf 126), which lists the elements of costs charged for special services performed by the Company. The current leaf specifies corporate overhead for engineering, drafting, administration, and inspection at 20% of five cost areas (i.e., labor, materials, transportation vehicles, contractor work/vendor bills, and use of large tools/equipment), provided, however, that corporate overhead is 4% when engineering or drafting is separately stated. The proposed leaf indicates that the corporate overhead for the five items is (a) 13%
for engineering and drafting, unless the labor cost for those services is separately stated or was already charged on a prior invoice, (b) 33% for construction management, if applicable, and (c) 3% for administration.

- The annual carrying charge percentage associated with interconnection charges assessed under SC 11 and under General Rule 20 of the electric tariff has been increased from 12.1 to 12.7 percent to reflect updated costs (Leaf 154 and Leaf 466);

- In General Rule 20, Standby Service, we also defined “station use” by wholesale generators as being applicable to wholesale generators that take delivery service for standby purposes and provide proof to the Company that they have an arrangement with the New York Independent System Operator (“NYISO”) to self-supply and net station power (Leaf 152). We also indicated on Leaf 167 that the rates applicable to station use are shown under Rates IV and V of SC 9 and exclude transmission charges. A similar change was made to Leaf 17 of the PASNY Rate Schedule, which indicates that rates for station use
are shown under PASNY Rates III and IV. Station use rates are described in the rate design section regarding standby service.

- As described in the testimony of the Electric Infrastructure Investment Panel, the Company has:
  - (a) updated its charges for re-inspection for certain special services at stipulated rates (i.e., hi-pot, Megger, and dielectric fluid tests, and re-inspection charge) (Leaf 121 and Leaf 122); and (b) revised General Rule 20.4.3 (Leaf 164) to provide the Company with final authority to approve or modify the Contract Demand established by a standby rates customer. No surcharge will be assessed on or after January 1, 2014, if the customer exceeds a customer-set contract demand approved by the Company. This change to Rule 20.4.3 extends the policy currently applicable to customers served under General Rules 20.2.1(B)(7) and 20.2.1(B)(8), pursuant to the Commission’s Order of October 18, 2012, in Case 11-E-0299.
  - Effective January 1, 2014, the EDDS rate schedule (P.S.C. No. 11 – Electricity) is being cancelled and
SC 15 - Delivery Service to Governmental Agencies of P.S.C. No. 10 - Electricity is being terminated, because there are no customers currently served under the EDDS rate schedule or SC 15, and, to our knowledge, NYPA, COWPUSA and NYCPUS will no longer serve customers under the EDDS rate schedule or SC 15 in the future. Rider Q - Power for Jobs Program is also being terminated, because service has not been available under the Power for Jobs Program since June 30, 2012. SC 15 (Leaf Nos. 501-503) and Rider J (Leaf Nos. 239-243) are being reserved for future use. At the conclusion of this rate case, the Company will make conforming changes to its rate schedules to eliminate all other references to EDDS, SC 15, and Rider Q.

- The following housekeeping changes have been made:
  (a) The text of General Rule 10.8 of P.S.C. No. 10 - Electricity has been divided into numbered paragraphs for clarity, and the last sentence of the General Rule has been moved to the end of the first paragraph of the General Rule (Leaf 88); (b) text about the billing of multi-metered accounts for
customers taking Competitive Metering Services was moved from General Rule 6.6 to General Rule 10.8, Plural Meters - Billing of Charges, of P.S.C. No. 10 - Electricity (Leaf 88), which specifically addresses the billing of accounts with multiple meters; (c) Rider D “per month” charges were corrected to “per calendar month” (Leaf 181); (d) a typographical error in SC 11 paragraph numbering was corrected on Leaf 467; (e) an obsolete tax reimbursement provision on Leaf 471 was deleted; (f) new Rate III was added to the SC 1 Common Provisions section (Leaf 390); (g) electric vehicle chargers were added to the list in SC 1 of structures or equipment accessory to residential dwellings (Leaf 391); and (h) on Leaf 5 of P.S.C. No. 12, the charge for service connection was corrected to reflect that it is assessed only once.

- Changes have been made to Special Provision A of SC 9 (Leaf 456) to:
  (a) eliminate the prohibition, established in 1951, against redistribution without specific Commission authorization in portions of the Bronx and in Staten
ELECTRIC RATE PANEL

Island and Westchester County, since that prohibition became obsolete once the PSC established rules allowing submetering in New York State in certain types of residential and non-residential premises, as reflected in Rider G of the current tariff;

(b) clarify that the 10 percent restriction on redistribution to “tenants” when low-tension service is furnished under SC 9 applies strictly to “residential tenants or occupants,” since (i) restricting redistribution to non-residential tenants would place limits on non-residential redistribution that did not exist in SC 4 and was not intended to be required when it was merged into SC 9, effective April 1, 2010, in Case 09-E-0428, and (ii) limiting 10 percent redistribution to residential tenants under SC 9 is consistent with the 10 percent limit on redistribution to non-residential tenants under SC 8;

(c) specify the same prerequisites to engaging in residential redistribution under SC 9 as those that exist under Special Provision A of SC 8 (i.e., the service must either be submetered pursuant to Rider G
(or the submetering requirement waived by PSC policy or order as in the case of assisted living and similar facilities), or the internal wiring to the residential units must have been installed prior to January 1, 1977); and

(d) make formatting changes to improve clarity.

Former sub-items (a) through (d) of Special Provision (A), item (3), are now items (3), (4), (5) and (6) of Special Provision A. Former sub-item (e) of Special Provision (A) is now item (7), modified as described above to reflect consistency with SC 8. Former item (4) is now labeled item (8).

- A change has been made to Special Provision D of SC 8 (Leaf 443) to clarify that service is not permitted under Special Provision D of SC 8 (i.e., use in motels, hotels, rooming houses, dormitories, hospitals, or other institutional care facilities where the tenants or occupants occupy rooms or apartments that do not have separate kitchens and bathrooms) unless such non-residential use is limited as specified in Special Provision C of SC 8.
Q. Are you proposing changes to the tariff provisions associated with the MAC and the MSC?

A. Yes. The tariff provisions associated with the MAC and MSC have been revised to reflect the following:

- New MAC components were added to Leaf 343 to (i) collect costs, as incurred, related to the purchase of emission allowances or credits pursuant to any Environmental Protection Agency, New York State Department of Environmental Conservation or other federal, state, or local agency regulatory program, to the extent such costs are not recoverable through the market prices reflected in the MSC, with respect to Company-owned Generation Assets; and (ii) credit customers for revenues received from the sale of emission allowances or credits pursuant to any Environmental Protection Agency, New York State Department of Environmental Conservation or other federal, state, or local agency regulatory program, as explained in the testimony of Company witness Price.
• The Factor of Adjustment for Losses, which is applied to the MSC supply components, has been reduced and stated on Leaf No. 329.

• A description of how the Adjustment Factors – MSC and Adjustment Factor – MAC are applied to monthly and bi-monthly bills has been added to Leaf Nos. 334 and 345;

• General Rule 25.1(a), item 3 (Leaf 329) has been conformed to the NYISO tariffs, which were reformatted and renumbered by the NYISO pursuant to FERC filing requirements. The updated provision comports with the current practice under the MSC and does not alter the scope of the item as it is currently applied; and

• Housekeeping changes have been made to (i) rename “East River Repowering Project” “East River Complex” in the definition of “Company-owned Generation Assets” (Leaf 328), and (ii) incorporate MSC definitions, by reference, on MAC (Leaf 338).

Q. Did you make any other changes to General Rule 20, Standby Service?
A. On Leaf 152, to improve clarity, we have revised text about standby service exclusions to simply state that General Rule 20 does not apply to generation used under Rider R (net metering) or General Rule 8.2 (emergency self-supply). On Leaf 168, we have indicated that customers who take delivery service for station use are presumed to have elected not to purchase supply from the Company unless they advise the Company in writing that they are applying for full-service, since we do not provide supply on a spot-basis. We have also added a clarifying sentence to Leaf 167 to indicate that customers paying Standby Service rates are subject to General Rule 26, which is consistent both with the text in General Rule 26 and current practice.

Q. What changes do you propose to SC 11 – Buy-back Service?

A. SC 11 only applies to Qualifying Facilities. As described in the testimony of Company witness Kimball, we have added text (i) to indicate that export by a Qualifying Facility that has exported more than 1 MW in any hour during a 12-month period must follow the
Company’s scheduling protocols and (ii) to state the applicable payment rate for scheduled deliveries, for variances from schedule, and for deliveries by Qualifying Facilities whose maximum export never exceeds 1 MW in any hour (Leaf 462).

Q. Have you made other changes to SC 11?
A. Leaf 472 was revised as follows: (a) obsolete text about surcharges applicable to SC 11 rate blocks was deleted, because there are no rate blocks; and (b) text about how SC 11 contract demand charges are assessed when SC 11 customers also take service under another SC from the same service connection was moved to Leaf 463 for improved clarity.

Q. Please continue.
A. Text on Leaf Nos. 472 and 474 about simultaneous purchase and sale was deleted, to conform to FERC regulations that prohibit such arrangements. Also, text was added to Leaf 476 to clarify that customers selling to the NYISO are subject to SC 11 interconnection and operation provisions.
Q. Are you proposing any changes to the tariff provisions that set forth the Revenue Decoupling Mechanism (“RDM”)?

A. Yes. The RDM tariff provisions are being revised to reflect the proposal described in the testimony of the Electric Forecasting Panel to: (a) include load served under EJP and the Recharge New York Program in the RDM revenue targets and make conforming changes to SC 9 Special Provisions G and H; (b) combine SC 5 and SC 9 into one revenue target; and (c) combine SC 2 and SC 6 in one revenue target (RDM Leaf Nos. 349, 350, 351, and 352, and SC 9 Leaf Nos. 459 and 459.3). Because the Electric Forecasting Panel is proposing to include reactive power in RDM revenue targets, the Company has revised its definition of “pure base revenue” to include reactive power demand charges (Leaf 17). Reactive power demand will be included in all calculations involving pure base revenue except for the Minimum Monthly Charge (Leaf Nos. 90 and 91), to which the reactive power demand charge will be added post-calculation of the Minimum Monthly Charge.

Q. Are other changes required to the RDM?
A. Yes. The RDM tariff provisions will be further revised at the end of this proceeding to (a) set forth the annual revenue targets for Con Edison service classes and NYPA based on the final revenue requirement level as approved by the Commission; and (b) change the RDM reconciliation and collection/refund periods to reflect a change in the rate year from April through March to January through December.

Q. Are you proposing any changes to the Rate Adjustment Clause in the Company’s tariff?

A. Yes. As indicated in the testimony of Mr. Muccilo, Leaf 42 has been revised to indicate that amounts subject to refund pending Commission determination in Case 09-M-0114 will be limited to amounts collected through December 31, 2013, and shown on the Statements of Rate Adjustment Clause.

Q. Are you proposing any changes to the tariff provisions associated with BIR, the low-income program, transition adjustment, and smart grid surcharge to reflect extension of the current rate plan between
April 1, 2013 and December 31, 2013, as explained in the testimony of Mr. Muccilo?

A. We will file tariff changes in March 2013 to extend the deadline for BIR applications (except for applications by Business Incubators and Business Incubator Graduates, which ends March 31, 2015) and to provide for the continuation of the low-income program customer charge and the extension of the reconnection charge waiver beyond the March 31, 2013 termination dates stated in the tariff. Other necessary tariff changes, including changes to the smart grid surcharge and transition adjustment, will be made at the conclusion of this proceeding, as required, to recognize the change in the commencement of the rate year from April to January and reflect termination of the current rate plan, which is being extended through December 31, 2013, as explained in the testimony of Mr. Muccilo.

LINE LOSSES

Q. Does the Company account for system losses when billing customers for supply?
A. Yes, the Company’s existing Factor of Adjustment for Losses of 1.079 is built into the Company’s bill calculation methodology for the MSC components (i.e., energy, capacity, NTAC and Ancillary Services) for all customers who purchase supply from the Company, including customers billed under Rider M – Day-ahead Hourly Pricing.

Q. Describe the Company’s proposal with respect to the Factor of Adjustment for Losses.

A. The Company proposes to reduce its Factor of Adjustment for Losses to 1.071 to reflect the loss percentage of 6.64 percent identified in the most recent engineering study of system losses, which was filed in a December 2008 report to the Commission in Case 08-E-0751. The Company proposes to state the 1.071 Factor of Adjustment for Losses and the 6.64 percent loss percentage in the MSC section, General Rule 25.1.

Q. How is the loss percentage converted into a Factor of Adjustment for Losses that can be applied to total metered usage to account for losses?
A. The loss percentage, which is the result of dividing system losses by system sendout, is converted into the Factor of Adjustment for Losses by dividing 1 by a denominator that is 1 minus the loss percentage expressed as a decimal.

Q. Will this Factor of Adjustment for Losses be applied to all full service customers' supply costs, including Rider M customers?

A. Yes. This updated Factor of Adjustment for Losses will continue to be applied to supply costs for all full service customers, including Rider M customers.

MONTHLY ADJUSTMENT CLAUSE/MARKET SUPPLY CHARGE MECHANISMS

Q. Has the Company contracted for firm transmission service under the PJM Open Access Transmission Tariff ("PJM OATT")?

A. Yes, as indicated in the Electric Infrastructure Investment Panel testimony, effective May 1, 2012, the Company contracted for 1,000 MW of firm transmission service for reliability purposes under the PJM OATT. As the Electric Infrastructure Investment Panel indicates, the PJM OATT firm transmission service replaces two grandfathered transmission contracts that
the Company had with Public Service Electric and Gas Company ("PSE&G"). These two contracts provided for 1,000 MW of transmission service for reliability purposes.

Q. Is there currently a proceeding before the Commission pertaining to the recovery of these PJM OATT charges?
A. Yes. In Case 09-E-0428, the Commission is examining:
(a) the Company’s use of MAC as the vehicle for recovery of charges incurred by the Company for the new firm transmission service under the PJM OATT and (b) the Company’s proposed mitigation of these charges by requesting authorization for an average monthly credit of approximately $1.2 million, representing the amounts currently included in base rates for the expired contracts with PSE&G, through the MAC until base electric delivery rates are reset.

Q. Are you proposing a different vehicle for recovery of the PJM OATT firm transmission service charges?
A. No. However, if the Commission determines that such costs should be recovered through base delivery rates instead of through the MAC, the Company, at the end of this proceeding, will adjust the allocation of the
Q. Why is it appropriate to recover the PJM OATT costs through the MAC, rather than through base rates or the MSC?

A. As discussed in the Electric Infrastructure Investment Panel testimony, the Company elected (with the support of the Commission and other parties) to contract with PJM for OATT service as the least-cost approach to providing significant economic and reliability benefits to the Company’s customers. The Commission and other parties strongly supported approval of the Contract by FERC. Having contracted for that service, the Company is obligated to pay the associated charges prescribed by PJM’s tariff. The Company explained the reasons for MAC treatment of the PJM costs in some detail in its petition in Case 09-E-0428. Rather than repeat these arguments, the Company appends the petition as Exhibit __ (ERP-2) and hereby incorporates those reasons by reference.

MARK FOR IDENTIFICATION AS EXHIBIT __ (ERP-2).
Q. Why do you mention the recovery of the PJM costs here if they are being addressed in Case 09-E-0428?

A. The Company made its filing regarding the recovery of PJM transmission costs for the period commencing May 1, 2012, in response to a question by Staff of the Department of Public Service regarding whether the costs were encompassed by the residual-cost provision of the MAC. The fact that the Staff and the Company are interpreting the residual-cost provision of the MAC differently merits attention here with respect to the vehicle for the recovery of the charges for the PJM 1000 MW transmission service for the period commencing January 1, 2014 and other transmission-related costs. Accordingly, the Company seeks confirmation of its interpretation of General Rule 26.1.1, MAC item 14 (Leaf 339), as permitting recovery of PJM OATT charges without prior Commission approval, as presented in Case 09-E-0428. Absent such confirmation, the Commission order at the conclusion of this proceeding directing a compliance tariff filing to implement the rate order should include a
directive that the Company clarify the MAC and MSC
tariff language as described below.

Q. Are the residual-cost provisions of the MSC and MAC
limited in their application?

A. No. General Rule 25.1 (a), item 5 (Leaf 329), and
General Rule 26.1.1, item 14 (Leaf 339) (“Residual
Provisions”), applicable to the MSC and MAC
respectively, apply to “certain other transmission-
related charges and credits.” As a matter of policy
and practice, the Residual Provisions should be
regarded as applicable (i) to all transmission-related
costs that are assessed to the Company by independent
or regional system operators like PJM and the NYISO
and (ii) to all transmission-related charges that are
assessed to the Company by other parties for services
necessary for system reliability.

The MAC/MSC tariff provisions list numerous
categories of specified costs that are recoverable
through the MAC/MSC cost recovery mechanisms. The
Residual Provisions encompass additional categories of
unspecified costs. The Residual Provisions make sense
only if they are viewed as generally applicable to
unspecified costs. The inclusion of the Residual Provisions in the MAC/MSC provisions would serve no purpose if they were deemed to include only costs that were specified and approved prior to recovery through the Residual Provisions. Moreover, the public interest is served by projects and services that increase system reliability and/or provide clear economic benefits, especially projects and services whose costs are assessed by PJM and the NYISO because those projects and services commonly arise from transparent stakeholder processes and are governed by the PJM/NYISO tariffs.

The Company advances the public interest by committing to pay those costs, including charges under the PJM/NYISO tariffs, and it should be permitted to recover those costs on a timely basis through the Residual Provisions. Indeed, its inability to recover these types of charges, as incurred, would unreasonably and unacceptably expose the Company to non-recovery of material expenses, especially during the term of a multi-year rate plan.
Q. Has the DPS Staff questioned that view of the Residual Provisions?

A. In urging the Company to petition the Commission for MAC treatment of the PJM OATT costs in Case 09-E-0428, the Company understood Staff to suggest that the Commission should authorize the recovery of each category of costs as a precondition to treating those costs as falling under the Residual Provisions. As discussed in this testimony, the necessary reading of Residual Provisions is that they apply to all transmission-related costs not addressed elsewhere in the tariff. The Staff view would impair the application and effectiveness of the Residual Provisions, notwithstanding the text and intent of those provisions, and could expose the Company to non-recovery of costs for the period prior to Commission agreement that the MAC is the appropriate vehicle for the recovery of such costs. The Staff view is also unnecessary from a customer-protection perspective because costs recovered through the MAC and MSC are collected subject to refund.
Q. Do the transmission projects encompassed by the Residual Provisions change from time to time and how does that bear on the application of the Residual Provisions?

A. Yes. Particularly noteworthy is FERC’s recent requirement that regional entities engage in regional and inter-regional planning to assure the optimal expansion of the transmission system. As a result, the NYISO has expanded its system planning processes to include various types of projects whose costs the NYISO will periodically allocate to the Company and other Load Serving Entities (“LSEs”) and/or transmission owners.

Thus, the Company faces an increasing cost exposure, both in terms of aggregate cost levels and evolving categories of costs. The Company incurs that exposure on behalf of its customers and to satisfy its statutory service obligations. The Residual Provisions should be applied in a manner consistent with the Company’s undertakings on behalf of customers.
Q. Please illustrate some of the types of projects that are or will be encompassed by the Residual Provisions.

A. The NYISO’s Comprehensive Regional Planning process and its Congestion Assessment and Resource Integration Study currently review projects that provide solutions to reliability and economic needs, respectively. In response to FERC’s Order No. 1000, the NYISO made a filing in October 2012 to expand its planning processes to include public policy transmission requirements. The NYISO is also working with neighboring ISO/RTOs to establish planning and cost allocation arrangements for interregional projects that will geographically span and solve transmission needs in both New York and other regions. The New York Energy Highway initiative and the New York Transco proposal are also likely to give rise to transmission projects whose costs will flow through the NYISO. Indeed, to implement the Energy Highway Initiative, on November 30, 2012 in Case 12-T-0502, Proceeding on Motion to Examine alternative Current Transmission Upgrades, the Commission issued an Order Instituting Proceeding inviting developers and
transmission owners to file detailed Statements of Intent regarding projects that would increase transmission capacity through the Mohawk Valley and Lower Hudson Valley regions.

Reliability-must-run ("RMR") costs and the related reliability resource compensation are costs paid by the NYISO or a transmission owner to a generation owner where the continued operation of a generator, beyond the time when it might be mothballed or retired, is required for the reliability of the transmission system. The costs typically are an alternative to costs of transmission facility enhancements designed to remedy transmission system reliability issues caused by a generator’s mothballing or retirement. Accordingly, they are correctly viewed as transmission-related costs. Where the NYISO incurs such costs and allocates a portion of them to the Company as an LSE, the allocated costs are recoverable through the MSC’s Residual Provision (General Rule 25.1(a), item 5 (Leaf 329)).

Q. How would the Company recover RMR charges that it pays directly to a generator?
A. The Company believes that the MAC Residual Provision (General Rule 26.1 (a), item 14 (Leaf 339)) is also applicable to these costs.

Q. Are there reliability-related transmission costs that should be recovered through base rates?

A. Yes. The costs of Company-constructed transmission facilities are largely fixed and appropriately recovered through base rates, subject to cost deferral arrangements in appropriate instances, as discussed in Mr. Muccilo’s testimony. For example, the Company intends generally to recover through base rates costs that the Company incurs in constructing transmission facilities to cure reliability deficiencies caused by the mothballing or retirement of a generator. One exception to this practice would occur when the Company responds to a generator mothballing or retirement by undertaking a transmission project as a public policy requirement under the NYISO tariff, in which case the Company would recover the cost allocated by the NYISO through the Residual Provisions. The likelihood of such transmission costs and public policy costs arising is indicated by the
issuance on November 30, 2012 of an Order Instituting Proceeding and Soliciting Indian Point Contingency Plan in Case 12-E-0503, Proceeding on Motion of the Commission to Review Generation Retirement Contingency Plans. That order directed Con Edison to identify and assess the transmission, generation, and other resources that could satisfy reliability needs caused by the possible retirement of the Indian Point generators.

Q. Does the ancillary services provision of the MSC require updating?

A. Yes. A housekeeping change to General Rule 25.1(a), item 3 (Leaf 329) is required to conform that item to the NYISO tariffs, which were reformatted and renumbered pursuant to FERC filing requirements. The updating does not alter the scope of the item as it is currently applied.
Q. Please describe the computer system enhancement projects you are proposing.

A. We are proposing two enhancements to the Customer Usage System ("CUS") project, which will serve to integrate and centralize sales report systems used for rate and bill impact analyses. The CUS project was initiated because certain legacy systems will no longer be supported by the Company. As part of the phase-in of CUS, two required enhancements are: (1) integration of satellite billing information, and (2) the capability to perform bill analyses on certain off-system data. As part of the first enhancement, interfacing satellite billing information (e.g., street lighting, traction and Recharge New York billing information) would allow for CUS to include additional account, billing and metering information. In order to analyze the impacts of rate changes on customers that are billed off-system, the second enhancement is required to allow for the bill calculations to occur within the CUS platform. This
would require transferring legacy modules, such as standby and net metering data, to CUS.

Q. Please discuss the timeline and funding associated with these enhancements.

A. The enhancements are budgeted as multi-year capital projects with total expected expenditures of $850,000 and $900,000, respectively. The capital projects are scheduled to be completed by approximately 2016 and 2017, respectively, which is consistent with the expected date for the system roll-out in 2017.

Q. Have you prepared, or had prepared under your supervision, an exhibit entitled “CUS ENHANCEMENTS,” Exhibit ERP-3, that describes the capital expenditure for these enhancements by year?

A. Yes.

MARK FOR IDENTIFICATION EXHIBIT ___ (ERP-3)

Q. Does this conclude your testimony?

A. Yes.