STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Electric Service.	))))	Case 08-E-0539

Direct Testimony of David F. Bomke
Executive Director
NEW YORK ENERGY CONSUMERS COUNCIL, INC.

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Q. Please state your name, occupation, and business address?

A. My name is David F. Bomke. I am the Executive Director of the New York Energy Consumers Council, Inc., which is located at 11 Pennsylvania Plaza, 22nd Floor, New York, New York, 10001-2006.

Q. On whose behalf are you appearing in this proceeding?

A. I am appearing on behalf of the New York Energy Consumers Council, Inc. ("NYECC"), which was created on July 30, 2004 as a result of the consolidation of the Owners Committee on Electric Rates ("OCER") and the New York Energy Buyers Forum ("NYEBF"). NYECC's members represent a broad spectrum of energy buyers, including hospitals, universities, financial institutions, residential and commercial property managers, public benefit corporations, energy service companies and energy consultants.

Q. Have you previously submitted testimony in a proceeding before the New York State Public Service Commission ("PSC" or the "Commission")?

A. Yes, I have previously submitted testimony in various cases before the Commission, including Case Nos. 07-E-0523 and 07-S-1315.

Q. Please describe your educational background and relevant work experience.

A. I graduated from MacMurray College in Jacksonville, Illinois and completed a year of graduate studies at Rice University in Houston, Texas. I have worked in various capacities in the utilities and educational sectors in Texas, Florida, New York, and Connecticut. I have undertaken extensive work as a data analyst in the fields of educational staffing, facilities management, and energy management since 1985. Since 1991, I have worked primarily in New York's energy management sector. As a consultant I had primary responsibility for managing the energy data and procurement activities of the New York State Office of Mental Health from 1991 through early 2004. I also served on the steering committee of NYEBF from 1993 through its consolidation with OCER on July 30, 2004 to form NYECC. I served as the chairman of NYEBF's Steering Committee in 1995 and served in various capacities on the boards of directors of both NYEBF and NYECC until I became the first full-time Executive Director of NYECC in November of 2004.

Q. What are your responsibilities as Executive Director of NYECC?

In my present capacity I am primarily responsible for the twin focuses of advocacy and education. My advocacy responsibilities include representing the needs of energy consumers in regulatory proceedings (such as this one), in collaboratives resulting from such proceedings (such as the collaboratives resulting from Commission Orders and Joint Proposals in recent Con Edison Electric, Steam, and Natural Gas Rate Cases, 04-E-0572, 07-E-0523, 05-S-1376, 07-S-1315 and 06-G-1332, respectively), in interactions with energy supply companies and with the regulated utility company (i.e., Con Edison), and in interactions with agencies such as the Federal Energy Regulatory Commission and the New York Independent System Operator. A particularly relevant component of my advocacy role has been my service on the Steam Business Development Task Force and that Task Force's preparation of the Steam Business Development Plan for the Consolidated Edison Steam System. I have been heavily engaged in the work of the Energy Efficiency Portfolio Standard proceeding since its implementation, serving on several working groups. The educational component of my responsibilities includes the development and presentation of various seminars, newsletters, and member briefings on issues of critical urgency to energy consumers in Con Edison's territory on behalf of NYECC. The New York Energy Consumers Council is focused exclusively on the needs of energy consumers in Con Edison's service territory.

Q. Do you have any introductory comments to make as to electric rates in Con Edison's service territory as compared with electric rates elsewhere in the United States?

A. Yes. Electricity consumers in New York City and the County of Westchester already pay higher electric rates than consumers anywhere else in the continental United States. (<u>See for example, a press release from NUS Consulting Group published in Reuters on May 19, 2008, entitled "Average U.S. Electricity Prices Rise 3.9 Percent"</u>), See Exhibit __ (DFB-1). NUS Consulting Group surveyed 24 investor-owned electric companies in the country, and the top surveyed utility once again in terms of price was Consolidated Edison (NY) at 18.07 cents per kilowatt-hour ("kWh"). Con Edison was the highest priced electric utility in this group's previous year's survey as well. The other four utilities in the top five in terms of price in the current survey are National Grid (NY) at 15.22 cents/kWh, Commonwealth Edison (IL) at 13.08 cents/kWh, Southern California Edison (CA) at 12.47 cents/kWh, and Reliant Energy (TX) at 12.34 cents/kWh. These top five amounts compare unfavorably with the average price of electricity in the United States. as of April 1, 2008, which was 9.57 cents per kWh.

Q. Are you concerned that investors may not look to invest in utility stocks and in Con Edison in particular under current stock market uncertainty if the Commission does not give the Company its requested increase?

A. No, I am not concerned. For example, a recent internet posting for stockpickr stated that "[w]ith the stock market uncertainty, more and more investors are turning to utility stocks." See Exhibit __ (DFB-2). This internet posting lists Con Edison among "some of the highest-yielding electric utility stocks." The posting further stated as follows: "Consolidated Edison (ED) yields 6% and serves parts of New York, New Jersey and Pennsylvania. The stock has a P/E of 12 and a PEG of 3.94." In addition, another recent internet posting which lists dividend yields by the top ten yielding stocks in the utility industry, lists Con Edison as having the highest Earnings Per Share ("EPS") among the ten utilities listed, $3.61 EPS and among the top four utilities with dividend yields above 6%. See Exhibit __ (DFB-3). The Company's common dividend has been increased for 34 consecutive years. While there were 29 constituents of the S&P 500 index as of December 31, 2007 that had increased their dividends more years than Con Edison, Con Edison is among only two constituents from this group that belong to the utilities sector. See Exhibit __ (DFB-4). In a list entitled "America's Finest Companies – 2007 Dividend All-Stars" excerpted from a report by Staton Institute, while there are 69 publicly-traded US companies that have increased their dividends for more years than Con Edison, Con Edison is among only three constituents from this group that belong to the Electric Utility Industry. See Exhibit __ (DFB-4).

Q. Please summarize your testimony?

A. The primary focus of my testimony is to emphasize the importance of minimizing the economic burden and bill impact upon large electric energy consumers located within Con Edison's service territory and to discuss Con Edison's testimony regarding its proposed increase in the revenue requirement, the Accounting Panel's proposed use of a surcharge mechanism for projected capital spending during each rate year, insufficient direction to managers when developing their operating and capital budgets to consider the rate impact on customers, additional cost burdens to electric ratepayers, building owners' access to tenant electric load information for the purpose of maximizing energy efficiency efforts, new programs proposed that do not demonstrate adequate cost efficiency or reductions in existing costs, D&O insurance coverage costs, incentive compensation, the First Avenue proceeds, the need for further cost mitigation, the use and reporting of actual hourly consumption recorded on customers interval meters, the speed with which billing usage data is provided to ESCOs, delays in the release of billing data, and the furtherance of Clean Distributed Generation and Combined Heat and Power.

Q. How much of an increase is Con Edison seeking in its revenue requirement in this electric rate case for the rate year ending March 31, 2010?

A. In its original May 9, 2008 filing, Con Edison requested a "mitigated" increase for Rate Year 1 ending March 31, 2010 in the amount of $654.1 million. Without Con Edison's various proposed means of mitigating the rate increase to this amount, Con Edison's proposed increase would have been $426 million more, or $1.08 billion. In Con Edison's July 25th preliminary update, the Company increased its previously proposed "mitigated" increase amount by $120.272 million, resulting in a new "mitigated" increase request of $774.4 million and an unmitigated increase request of $1.2 billion. Ironically, this unmitigated amount sought is the same proposed increase amount sought by Con Edison in its May 2007 filing, much of which was reasonably disallowed by the Commission in

Case 07-E-0523. A similar approach to further mitigate the Company's rate request will be necessary in this case in order to prevent unjust and unreasonable rates. Given the Company's subsequent withdrawal of its energy efficiency proposal from this rate increase request, I am concerned about whether the mitigation factors originally proposed will be decreased.

Q. **Is Con Edison also seeking an increase in its revenue requirement in this electric rate case for the additional rate years ending March 31, 2011 and 2012?**

A. Yes. The original filing proposed increases for these additional rate years of $475 million and $420 million, respectively. Together with the second and third year proposed rate increases, the cumulative three-year impact of this unmitigated request on ratepayers would have exceeded $4.7 billion.

Q. **Did you consider Con Edison's proposed $1.2 billion revenue requirement increase in Case 07-E-0523 reasonable?**

A. No, I did not.

Q. **Do you consider Con Edison's proposed unmitigated $1.2 billion revenue requirement increase in Case 08-E-0539 more reasonable?**

A. No, I do not.

Q. **Do you consider Con Edison's proposed mitigated $774.4 million revenue requirement increase in Case 08-E-0539 reasonable?**

A. No, I do not. I consider an increase in excess of 82% above the $425 million increase that the Commission just authorized on March 25, 2008 in 07-E-0523 to be *per se* unreasonable absent some exigent extraordinary circumstance, which has not been demonstrated in this proceeding. This recent Commission Order authorized significant infrastructure spending to improve and maintain the reliability of service, to enhance public safety by increasing inspections to detect stray voltage, to facilitate efficient use of energy, and to implement customer service and reliability performance mechanisms and also included provisions to moderate rate impacts on low-income customers. Significantly, this authorized increase only five months ago follows unprecedented actual capital expenditures in Case 04-E-0572 of $1.08 billion for RY1, $1.371 billion for RY2, and $1.704 billion (estimated) for RY3. According to the Commission's recent Order, Con Edison was expected to spend approximately $1.616 billion more than the level set in rates during the 3-year period of that plan, when accounting for plant retirements and other factors. My understanding is that Staff's investigation and report thereto of these capital expenditures called for in the Commission's recent Order have not yet been completed but may affect this proceeding when they are completed. It is worth noting that in response to Staff Interrogatory 413 as to whether the benefits of the substantial investments in the construction program have been reflected in the Company's revenue requirement, the Company's response, in relevant part, stated that "it is difficult to quantify 'cost reductions' resulting from these investments." See Exhibit __ (DFB-5).

Q. Do you agree with Con Edison's Accounting Panel's proposed use of a surcharge mechanism for projected capital spending during each rate year?

A. No. First, such an approach would appear to circumvent the Commission's existing rate case process and procedures and could potentially exclude valuable intervenor input at times when the Commission may not be reviewing a pending rate case. Second, such an approach will likely discourage multi-year rate settlement cases. Third, but most importantly, no good reason has been provided as to why the current approach, which incorporates forecasts of capital spending for 5 and 10 year horizons, is inadequate for forecasting capital spending expenditures for the 1 to 3 year horizons of any rate plan.

Q. Do you think that there is a lack of emphasis and insufficient direction from the Company to its managers when developing their operating and capital budgets to consider the rate impact on customers?

A. Yes. The Company's guidance materials to its managers should explicitly state in writing that managers must consider the rate impact on customers when developing operating and capital budgets. For example, in NYPA IRs 70 and 71, Con Edison was asked if the written guidance materials provided to it managers to assist in the development of capital budgets included the consideration of the rate impact on customers. See Exhibit __ (DFB-6), Exhibit __ (DFB-7). Despite Con Edison's affirmative response to NYPA IR 71, I was unable to locate any such consideration in the written guidance materials provided in either the Company's response to NYPA IR 70 or in the responses to follow-up IRs by NYECC and NYPA, NYECC IR 25 and NYPA IR 113, respectively, requesting a specific indication of where such guidance is provided. See Exhibit __ (DFB-8), Exhibit __ (DFB-9).

Q. Are the cost burdens to electric ratepayers in this proceeding limited to the amount in rates that the Commission will ultimately decide are just and reasonable in this case?

A. No. There are other Commission proceedings and determinations which will produce significant incremental cost burden impacts upon electric ratepayers in this proceeding.

Q. What additional cost burdens do electric ratepayers in the Con Edison service territory face?

A. Based on the June 23, 2008 Commission Order in the Energy Efficiency Portfolio Standard Proceeding ("EEPS"), beginning on October 1, 2008, the annual level of overall SBC electric revenue collections will increase approximately 91%, from $175 million to $334.3 million. Since Con Edison' ratepayers pay approximately half of the SBC amounts collected, the existing $87.5 million in SBC will now balloon to approximately $167.2 million annually. In addition, based on the August 22, 2008 Commission Order in EEPS, Con Edison may earn maximum potential incentives of $15 million (approximately $10 million annually for attaining its levelized annual incremental reduction targets of 255,316 MWhs as well as an additional maximum $5 million for the megawatt incentive to be applied only in New York City). The Commission will soon be evaluating submissions by NYSERDA and Con Edison that would require additional ratepayer funding, likely through incremental SBC surcharges. In addition, electric ratepayers are expecting to incur additional electricity costs for New York State's participation in the Regional Greenhouse Gas Initiative. Con Edison's witness Joseph A. Holtman has tentatively estimated the impact of this initiative at $10.8 million per year or more for Con Edison's ratepayers. In addition, electric customers are currently still bearing the additional costs of the System-Wide and Targeted Demand Side Management

Programs implemented in accordance with the Commission's Order of March 25, 2008 in the previous Con Edison Electric Rate Case.

Q. **What is the cost of Con Edison's proposed energy efficiency and demand side management costs to ratepayers over three years?**

A. The cost in 2009 is $26.85 million. In 2010, the additional amount requested soars to $83.635 million and the amount requested in 2011 is $75.865 million. The aggregate total sought by Con Edison over three years is an astounding $186.35 million. Con Edison's effort to mitigate the size of its "unmitigated" requested increase in this case is in large part conditioned on acceptance by the Commission of its proposed DSM program. On August 14, 2008, in an e-mail from Con Edison's counsel Marc Richter, Con Edison "decided to withdraw from consideration in this case the Company's proposed extension of its Targeted Program and its proposal to submit its non-targeted programs for consideration in this proceeding if they are not reviewed in the EEPS proceeding. See Exhibit __ (DFB-10). The Company will pursue the extension of its Targeted Program in the EEPS proceeding. Accordingly, the IIP [Infrastructure Investment Panel] will delete the portion of its initial testimony beginning on p. 265, line 7, through p.272, line 18, up to the word "Order." The IIP will further address this matter, as appropriate, in its September 29 update/rebuttal testimony." Con Edison's August 14th e-mail is confusing and potentially can serve to prevent active parties from commenting upon Con Edison testimony that has been withdrawn but which may be introduced again in the update/rebuttal stage of testimony. To the extent that Con Edison attempts to engage in such conduct in the update/rebuttal stage of testimony, NYECC reserves its right to object. NYECC would also reserve its right to object to Con Edison's proposal to submit its non-targeted programs for consideration in this proceeding if they are not reviewed in the EEPS proceeding, as the NYECC would generally agree with the Company's contention that the EEPS proceeding is the appropriate proceeding for approval of Con Edison's non-targeted programs.

Q. Do you have any additional concerns about either Con Edison's current or proposed energy efficiency programs?

A. Yes. NYECC believes that building owners should have access to tenant electric load information for the purpose of maximizing energy efficiency efforts and attaining City and State energy efficiency targets and goals. Although the NYECC recognizes the Company's mandate to protect such customers' confidential financial data, it is critically important for building owners and managers to be given unlimited access to the electric load profiles of their tenants in order to ensure the safe and reliable electricity supply within their buildings. Since many existing leases do not include specific accommodations allowing building owners and managers to require their tenants to provide this information, the only practical recourse is to secure it from the Company.

Q. What is the consequence of the additional cost burdens imposed on large electric ratepayers in New York City and Westchester County?

A. These additional cost burdens have helped drive and will continue to drive the electric costs of Con Edison's consumers even higher than the costs of fuel and utility infrastructure alone would warrant. Because of the merciless financial assault on ratepayers from multiple sources, the Commission should do everything in its power to contain costs in the context of any overall rate increase contemplated in this proceeding. Con Edison's proposed mitigation efforts are simply not enough. Approval of Con Edison's requested increase will have further deleterious effects on New York's ratepayers and on New York's economy. New York's consumers cannot afford the unrelenting upward spiral of total energy costs. Absent significant incremental rate mitigation, the proposed new rates will drive existing businesses to move away from New York or to simply close their doors altogether and will discourage new businesses from moving into New York or opening their doors here.

Q. Are you concerned about the number of new programs proposed by Con Edison in its rate filing that do not demonstrate any cost efficiency or any reductions in existing costs to customers?

A. Yes. I cannot help thinking in reading some of the Company's responses to Interrogatories that cost containment is not truly a priority for the Company during the rate proceeding. Many Company responses ignore or give short shrift to demonstrating either cost efficiency or cost reductions elsewhere in the filing when new programs are proposed. Examples include responses to DPS IRs 210.5 and 210.6 regarding Process Improvement – Accounting By Network, See Exhibit __ (DFB-11), Exhibit __ (DFB-12); DPS IRs 211.5 and 211.6 regarding Process Improvement – Energy Services CSR Automation, See Exhibit __ (DFB-13), Exhibit __ (DFB-14); DPS IR 213.6 regarding Process Improvement – Technical Support/NYC Regulatory Liaison, See Exhibit __ (DFB-15); DPS IRs 214.5 and 214.6 regarding Process Improvement – Field Auditing & Quality Control, See Exhibit __ (DFB-16), Exhibit __ (DFB-17); DPS IRs 216.9 and

216.10 regarding Process Improvement – Establishment of a Regional Contractor Oversight Review Group, See Exhibit __ (DFB-18), Exhibit __ (DFB-19); DPS IR 223 regarding Process Improvement – RMS Response Group, See Exhibit __ (DFB-20); DPS IR 234 regarding Advanced Technology – Joint Pole Use Software, See Exhibit __ (DFB-21).

Q. Are you also concerned about the rate impacts on customers by the new programs proposed by Con Edison in which requests for staffing are sometimes double their existing level?

A. Yes. For example, the Company's Emergency Management Panel requests an increase in staffing from sixteen to thirty-two and roughly a doubling of the historical level of spending. It is worth noting that the Commission's recent March 25, 2008 Order reminds everyone that "[t]he Company is provided with over $1 billion of non-fuel O&M in rates" and that the Company is not relieved of its responsibility to provide safe and adequate service, and to make adjustments to its corporate policies and procedures where necessary, despite not having authorized any incremental funding for emergency preparedness. In like manner, it would not appear reasonable to authorize additional customer funding now to drive the Company's emergency preparedness improvement obligations. In addition, given the magnitude of the Company's rate filing request, it seems particularly profligate for customers to have to pay for additional cost items such as the benchmarking initiative and the weather analysis position.

Q. Are you also concerned about the percentage increases in some costs proposed by Con Edison in its rate filing?

A. Yes. For example, despite a 5 year average annual cost (from 2003 through 2007 inclusive) for environmental, health and safety issues (EH&S) of $250,000 per year, estimated costs for EH&S emergent work is estimated at $500,000 per year, a 100% increase above the five year historical average of <u>all EH&S costs</u> not just emergent work. NYECC believes that a cost increase of 100% more the prior five-year average should be deemed unjust and unreasonable absent an exigent circumstance requiring such an increase, particularly in a rate case where the Company has been ordered to demonstrate significant mitigation efforts.

Q. Are there other cost increases proposed by Con Edison in its rate filing that you believe are excessive?

A. Yes. For example, based on the Company's Interrogatory responses to NYECC and CPB, which include a reference to the 2007 Survey of Director's and Officer's Liability Insurance Purchasing and Claims trends issued by Towers Perrins ("Towers Survey"), See Exhibit __ (DFB-22), it appears that the Company could reduce costs to customers by reducing its D&O policy limits to somewhere between $88 million and $146 million instead of the requested $300 million requested. According to the Towers Survey referenced, out of 2,927 companies included in the survey population, only 18 companies (less than 1%) were utilities. Among repeat participants reporting their business class, the average limits for utilities decreased from $93 million in 2006 to $88.06 million in 2007. Only organizations with assets greater than $10 billion – the overwhelming majority of which are not utilities increased limits from $128 million in 2006 to $146 million in 2007. It is worth noting in this context that in response to NYECC Interrogatory 29, the

Company stated that "[t]here have been no claims or litigation against our D&O insurance over the past five years and, accordingly, no defense or settlement costs have been incurred." See Exhibit __ (DFB-23). Under the circumstances, a $2 million or more savings to customers from a reduction in D&O insurance coverage seems appropriate and reasonable. The Company's shareholders can of course always pay for any D&O insurance coverage in excess of what the Commission finds to be a reasonable policy limit should management decide it wants additional D&O insurance coverage. However, customers should not have to pay for this excess amount.

Q. **Are there other costs that you believe should not be paid for by Con Edison's customers?**

A. Yes. In the recent March 25, 2008 Order in Case 07-E-0523, the Commission disallowed deferred compensation stock options and the Company's variable pay plan as "incentive compensation" which requires clear and convincing demonstrations that the officers' and managers' performances, in their respective departments and units, have produced any specific results or quantified productivity to warrant incentive payments. It appears that this standard has not been met in the instant case either. Therefore, NYECC would request that the Company's request for "incentive compensation" for variable pay and for long term incentives be denied in this proceeding as well.

Q. **Do you think the electric portion of the First Avenue proceeds from Case 01-E-0377, in whole or in part, should be applied to reduce the revenue requirement in this proceeding?**

A. Yes. Consistent with the Commission's March 25, 2008 Order Establishing Rates For Electric Service, NYECC believes that one-half of the remaining First Avenue electric proceeds should be used for the rate year ending March 31, 2010 and one-half of the remaining First Avenue electric proceeds should be used for the rate year ending March 31, 2011, irrespective of whether there is a one year rate case or a two or more year rate plan in this proceeding.

Q. Are there other areas in Con Edison's filing that you think can result in mitigation of Con Edison's proposed revenue requirement?

A. Yes. The prices of gasoline, copper and steel have begun to decline from recent record highs cited in the Company's original filing and in its preliminary update. Since these costs escalations are part of the Company's justification for cost pressures beyond its control, concomitant reductions in the prices of such costs should be reflected in mitigation of the revenue requirement. In addition, to the extent the Company has not implemented feasible productivity gains and efficiencies in the same way that other businesses have in these difficult economic times, they should not be allowed simply to pass on the entirety of these higher costs to customers.

Q. Do you have any concerns regarding the Company's failure to use and report the actual hourly consumption recorded by a customer's interval meter?

A. Yes. We understand that the Company is continuing to experience "holes" in its collection of load profile data for customers equipped with interval meters. With a failure in excess of 4%, instead of using those customers' actual data to extrapolate the necessary data, Con Edison routinely utilizes load curves using class average patterns.

Despite efforts by these customers to modify their actual consumption in response to hourly price signals, they are ultimately charged in accordance with class average performance patterns. This approach appears diametrically opposed to the intentions set forth in the Commission's Orders mandating Hourly Pricing for large consumers. Wholesale providers of electricity cannot justify discounting the cost of commodity based upon customers actual load profiles as long as Con Edison continues to report their consumption using class average profiles rather than their actual use levels. In response to NYECC IR 57, the Company confirmed that there are circumstances in which it will not use the interval data recorded. See Exhibit __ (DFB-24). The Company should be compelled to resolve the system failures in a timelier manner, and share their findings and the status of the meter issue with the customer in a timely and concise manner. The Commission's mandate to extend Mandatory Hourly Pricing to even more customers increases the urgency for the Company to eliminate the practice of using average load shapes rather than actual interval consumption data. In addition, members of the NYECC have expressed their concerns that the Company has not published a prioritization protocol for rectifying these data aberrations. We request that the Company establish and publish such a protocol.

Q. Do you have any issues you would like to raise in regard to the speed with which Con Edison provides billing usage data to Energy Service Companies ("ESCOs")?

A. Yes. Some of NYECC's members have expressed concern with the duration of time between when meter data is collected by Con Edison and when it is supplied to ESCOs for billing purposes. In particular, one NYECC member, Constellation New Energy

("New Energy"), which is a PSC-approved ESCO that markets electricity to commercial and industrial customers in New York State, has noted that there is a substantial difference between the delay period for Con Edison billing data and Orange and Rockland billing data. In reviewing their records, New Energy has found that on average billing data is provided by Orange and Rockland in about 3 days, whereas with Con Edison the delay is closer to 10 days.

Q. Is there an obvious reason why these reporting periods should be so different?

A. No. It would stand to reason that if Orange and Rockland can provide billing data in 3 days, then Con Edison should be able to achieve the same performance through sharing of best practices between affiliates.

Q. Why does NYECC have concerns about delays in Con Edison's release of billing data?

A. NYECC's member employs a range of sophisticated market monitoring and hedging strategies. These strategies depend on up to date information in order to respond to market conditions that can change daily, or even hourly. Unnecessary delays in receiving billing data from Con Edison can undermine the effectiveness of these risk management strategies.

Q. How would you suggest this problem be remedied?

A. The Commission should require Con Edison to lower its reporting time for billing data to a similar period as Orange and Rockland by 6 months after the beginning of the rate plan.

Q. Does the NYECC have any position on the role(s) of Clean Distributed Generation and Combined Heat and Power in Con Edison's service territory?

A. Yes. For the past two years, the NYECC has been working under a contract with the New York State Energy Research and Development Authority (NYSERDA) to foster Clean Distributed Generation (DG), notably through Combined Heat and Power (CHP) installations, in high-rise buildings in New York City. We have supported the efforts of Con Edison Electric to expand the deployment of CHP installations throughout its service territory. We continue to applaud the leadership demonstrated by the individual appointed as the Company's Distributed Generation Ombudsman, who has worked extensively to facilitate expanded implementation of CHP installations.

Q. Do you have any objections to the Company's performance in this area?

A. Regrettably, I do. For DG/CHP installations to succeed, they must often integrate with the local natural gas distribution company and/or with the local steam utility company. Although electric utility company de-coupling has apparently removed disincentives that might have discouraged the Company's support of DG/CHP installations, I remain concerned that some potential CHP installations might be perceived as having negative implications for Con Edison's steam system, thus adversely affecting the company's promotion of CHP installations within the territory served by the steam system.

Given the potential benefits of DG/CHP in high rise buildings within the area served by Con Edison's steam system, we would favor the implementation of bi-directional incentives to encourage Con Edison's promotion of this technology. If Con Edison maintains the same level of annual new CHP installation going forward as it has in the previous two years, no incentive shall be paid. If annual new CHP installation levels drop below 75% of the previous two-year average, the Company should be held liable for a penalty payment per kilowatt ($/kW) for the difference between actual new CHP installations and the 75% threshold level. Similarly, if annual new CHP installation levels exceed 125% of the previous two-year average, the Company should be awarded an incentive payment per kilowatt ($/kW) for the difference between 125% of the previous two-year average and the actual installation level. The NYECC proposes a bi-directional target incentive in the range of $100/kW.

Q. Does this conclude your testimony?

A. Yes.