

BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of
Consolidated Edison Company Of New York, Inc.

Case 08-E-0539

September 2008

Prepared Testimony of:

Liliya A. Randt
Utility Engineer 2
Office of Electric, Gas and
Water

State of New York
Department of Public Service
Three Empire State Plaza
Albany, New York, 12223-1350

1 Q. Please state your name, title, employer, and
2 business address.

3 A. My name is Liliya A. Randt. I am employed by
4 the New York State Department of Public Service
5 (Department). My business address is Three
6 Empire State Plaza, Albany, New York 12223-1350.

7 Q. Ms. Randt, what is your position in the
8 Department?

9 A. I am employed as a Utility Engineer 2 in the
10 Rates and Tariffs Section of the Office of
11 Electric, Gas and Water.

12 Q. Ms. Randt, please state your educational
13 background and professional experience.

14 A. I graduated magna cum laude from the State
15 University of New York, Institute of Technology
16 at Utica with a Bachelor of Science degree in
17 Mechanical Engineering Technology in May 2004.
18 I also received a Master Degree in Civil
19 Engineering from Poltava Technical University,
20 Ukraine in 1997. I began my employment with the
21 Department in April 2005 and currently hold the

1 title of Utility Engineer 2. While with the
2 Department, I have prepared, analyzed, and
3 reviewed reports and studies involving operating
4 revenues, sales forecasts, operation and
5 maintenance expenses, embedded costs, revenue
6 allocation, and rate design. My duties include
7 engineering analyses of utility rate, pricing,
8 and tariff proposals.

9 Q. Have you previously testified before the New
10 York State Public Service Commission?

11 A. Yes, I testified in the Consolidated Edison
12 Company of New York, Inc.'s (Con Edison or the
13 Company) steam rate cases (Cases 05-S-1376 and
14 07-S-1315) regarding the embedded cost of
15 service study (ECOS), rate design, and other
16 revenue requirement issues. I testified in the
17 Freeport Electric rate case (Case 06-E-0911)
18 regarding capital expenditures, depreciation,
19 and rate design. I testified in Orange and
20 Rockland Utilities, Inc.'s electric rate cases
21 (Cases 06-E-1433 and 07-E-0949) regarding the

1 delivery revenue forecast, ECOS and rate design
2 issues.

3 I also testified in the last Con Edison electric
4 rate case (07-E-0523).

5 Q. What is the scope of your testimony in this
6 proceeding?

7 A. My testimony will address the following: (1) the
8 Company's Embedded Cost of Service study; (2)
9 revenue allocation; (3) rate design; (4) various
10 other tariff revisions; (5) price out of Staff's
11 sales forecast; (6) the Company's Plant in
12 Service forecast Model.

13 Q. In your testimony, will you refer to, or
14 otherwise rely upon, any information produced
15 during the discovery phase of this proceeding?

16 A. Yes. I will refer to, and have relied upon,
17 Company responses to Information Requests (IRs).
18 Copies of those are contained in my Exhibit__
19 (LAR-1).

20 Q. Are you sponsoring any other exhibits?

21 A. Yes. I am sponsoring Exhibit__ (LAR-2),

1 Exhibit__ (LAR-3), Exhibit__ (LAR-4), Exhibit __
2 (LAR-5) and Exhibit__ (LAR-6).

3 **Embedded Cost of Service Study**

4 Q. Did you examine the ECOS study submitted by the
5 Company?

6 A. Yes. The Company presented the same 2005
7 Embedded Cost of Service study that it presented
8 in Case 07-E-0523, which I also reviewed in that
9 proceeding.

10 Q. What is your position regarding the 2005 ECOS
11 study?

12 A. Similar to Staff's position in the last case, I
13 have issues related to certain cost allocation
14 factors used by the Company. The Company's D08,
15 Low Tension-Overhead, and D09, Low Tension-
16 Underground, allocation factors were calculated
17 by averaging the Non-Coincident Peak Demand
18 (NCP) and Individual Customer Maximum demand
19 (ICMD) for the summer and winter season. The
20 Company made adjustments for the SC1 and SC7
21 rate classes, by applying a 75% weighting to the

1 non-coincident demand and a 25% weighting to the
2 individual customer billing demand. The Company
3 did not adequately justify this specific 75% NCP
4 / 25% ICMD adjustment and did not offer a
5 diversity of load study specifically for the SC1
6 and SC7 classes.

7 Q. Do those issues continue to exist?

8 A. Yes, the same study is presented by the Company
9 in this case. Therefore, I continue to support
10 applying a 15% tolerance band to the system rate
11 of return that was proposed by Staff in the last
12 rate case (07-E-0523).

13 Q. Why was a 15% tolerance band proposed by Staff
14 in the last rate case?

15 A. In Case 07-E-0523, the Company did not provide a
16 load diversity study that would justify the
17 special adjustment (75% NCP / 25% ICMD) to the
18 D08 and D09 allocators for the SC1 and SC7
19 classes. Staff recommended that a 15% tolerance
20 band be applied to the ECOS study and the
21 Company be required to submit a study that

1 justifies the 75% NCP / 25% ICMD or some other
2 ratio to apply when calculating the D08 and D09
3 allocator for the SC1 and SC7 class in future
4 ECOS studies.

5 Q. Has the Company provided a load diversity study
6 in this case?

7 A. No. Staff recommended to the Commission that
8 the Company be required to submit a load
9 diversity study in the last case. The
10 Commission did not adopt that recommendation.

11 In this proceeding, the Company has
12 committed to do the load diversity study and has
13 requested the funding for the purchase of
14 approximately 500 interval meters to be
15 installed in 2009 at various customer locations
16 to gain a better understanding of hourly demand
17 characteristics of SC1 residential customers
18 residing in multi-dwelling buildings. The
19 intent is to better understand the difference in
20 usage between customers in apartment buildings
21 and those in one and two family structures.

1 I support the Company's request for this
2 funding and recommend that the Company begin to
3 implement the study in an expeditious manner in
4 order to have the data available for the next
5 time it files a new ECOS study.

6 Q. What is the result of the 2005 ECOS study
7 applying a 15% tolerance band?

8 A. Using a 15% tolerance band reduces the New York
9 Power Authority (NYPA) delivery service class
10 deficiency by \$8,395,266 to \$21,806,895;
11 eliminates the Economic Development Delivery
12 Service (EDDS) \$129,213 surplus, and reduces
13 various full service and retail access class
14 deficiencies and surpluses resulting in a total
15 revenue surplus of \$32,842,720.

16 Q. What was the Commission's decision in the last
17 rate case regarding the ECOS results?

18 A. The Commission, in its Order Establishing Rates
19 for Electric Service, issued March 25, 2008, in
20 Case 07-E-0523, (2008 Rate Order), adopted the
21 ECOS study with a 10% tolerance band, but chose

1 to reflect only one-half of the NYPA deficiency
2 to mitigate the impact of the rate change.
3 Using a 10% tolerance band, the 2005 ECOS
4 reveals that the NYPA class is \$30.202 million
5 deficient. In the 2008 Rate Order, only half of
6 this deficiency (\$15.101 million) was recognized
7 in the final revenue allocation.

8 Q. What do you recommend regarding the ECOS study
9 in this case?

10 A. For reasons I will discuss, I recommend applying
11 a 15% tolerance band to the 2005 ECOS study and
12 to recognize the remaining NYPA class deficiency
13 after taking into account the \$15.101 million
14 NYPA deficiency adopted by the Commission in the
15 last rate case. These result in the NYPA class
16 being deficient by \$6.7 million, EDDS is within
17 the 15% tolerance band and the Con Edison
18 customer classes are in surplus by \$6.7 million.

19 Q. Did you prepare an exhibit to show how much the
20 NYPA class is deficient using a 15% tolerance

1 band after recognizing the \$15.101 million
2 adopted by the Commission in the last case?

3 A. Yes. Exhibit__ (LAR-2) shows the remaining
4 surpluses and deficiencies from the 2005 ECOS
5 study, that were not reflected in the revenue
6 allocation and rate design under the 2008 Rate
7 Order, applying a 15% tolerance band.

8 Q. Please explain why it is appropriate to apply a
9 15% tolerance band to the 2005 ECOS study?

10 A. In this case, the Company did not submit a new
11 ECOS. The Staff concerns that were identified
12 in the last electric rate case still exist. In
13 addition, the Company's 2005 ECOS study is now a
14 year older, it does not reflect the significant
15 capital expenditures that the Company has made
16 over the last three years since the study was
17 conducted; and, it relies upon a dated class
18 demand study. A 15% tolerance band would
19 recognize these issues, while still continuing a
20 phased or incremental approach for elimination
21 of inter class subsidies by more properly

1 aligning cost and revenues based upon the last
2 best known data points.

3 **Revenue Allocation**

4 Q. Have you reviewed the Company's proposed
5 transmission and distribution (T&D) revenue
6 allocation?

7 A. Yes. The Company first deducted gross receipts
8 taxes from the rate year T&D related delivery
9 revenue increase. Then it adjusted the
10 remaining ECOS surplus and deficiency
11 indications from the 2005 study that were not
12 reflected in the determination of the T&D rates
13 that became effective April 1, 2008, pursuant to
14 the 2008 Rate Order. The Company then re-
15 aligned the Rate Year T&D revenues, at the
16 current rate levels, to reflect the remaining
17 ECOS surpluses and deficiencies.

18 Q. Please explain how the Company allocated the
19 proposed T&D revenue increases to the customer's
20 classes.

- 1 A. The Company allocated the proposed T&D revenue
2 increase to Con Edison, NYPA and EDDS customers,
3 based on the proportion of each class'
4 respective re-aligned rate year delivery
5 revenues to the total rate year delivery
6 revenues. The Company then added or subtracted
7 the class deficiency or surplus to the revenue
8 increase allocated to each class to arrive at
9 the total revenue increase for each class.
- 10 Q. Do you agree with this approach?
- 11 A. Yes. This approach recognizes the results of
12 the ECOS and balances the rate increase to all
13 classes. This approach has been used by the
14 Company in prior cases and has been accepted by
15 the Commission.
- 16 Q. Have you prepared a revenue allocation?
- 17 A. Yes, I have performed a revenue allocation using
18 the same general approach as described above,
19 but using Staff's inputs for the sales forecast
20 provided by Staff witness Liu, the revenue
21 requirement increase provided by the Staff

1 Accounting Panel, and the results of the ECOS
2 based on a 15% tolerance band with recognition
3 of the deficiency and surpluses, which I
4 previously discussed. Staff's revenue
5 allocation is provided as Exhibit__ (LAR-3) and
6 Exhibit__ (LAR-4). Exhibit__ (LAR-4) shows the
7 resulting recommended non-competitive T&D
8 increases for each service class. As shown, the
9 SC1, SC2, SC7, SC8, and the EDDS delivery
10 service classes receive average increases of
11 approximately 8.6% while the SC6 and the NYPA
12 delivery service classes receive above average
13 increases and the SC4, SC5, SC9, SC12 and SC13
14 classes receive below average increases. The
15 resulting proposed non-competitive T&D
16 percentage increases are shown in Exhibit__
17 (LAR-4) Column 11a.

18 **Rate Design**

19 Q. Have you reviewed the Company's proposed
20 increase to the competitive service revenues?

1 A. Yes. The Company's competitive service revenues
2 are comprised of: supply related components;
3 credit and collection related components of the
4 Merchant Function Charge (MFC); Metering
5 Charges; and Billing and Payment Processing
6 (BPP) charges.

7 The revenue increase to the MFC components
8 was developed by multiplying rate year MFC
9 revenues associated with supply and credit and
10 collection at current rates by the total rate
11 year T&D percentage change for each customer
12 class.

13 The Company developed the competitive
14 metering charges by increasing current
15 competitive metering charge revenues by each
16 class' T&D rate year percentage change.

17 The Company did not propose any changes to
18 the current BPP charge, because the current BPP
19 charge is consistent with the BPP charge
20 established in Case 06-G-1332.

1 After calculating the total revenues
2 associated with competitive charges, the Company
3 subtracted them from the total T&D proposed
4 revenues to arrive at the rate year non-
5 competitive T&D revenues.

6 Q. Do you agree with the Company's methodology used
7 to determine the rate year increase to
8 competitive services rates?

9 A. Yes. It is a reasonable methodology. I would
10 note that the revenue increase to the MFC
11 components, shown in Exhibit__ (LAR-4), reflect
12 the use of Staff's sales forecast when
13 determining the rate year MFC revenues used in
14 the calculation describe above.

15 Q. Have you examined the Company's proposed
16 increases to class-specific customer charges and
17 demand and energy charges as presented beginning
18 on page 22 of the Company's pre-filed Electric
19 Rate Panel Testimony?

20 A. Yes. I have reviewed them and have no
21 adjustments to the Company's proposals.

1 **Various Other Tariff Revisions**

2 Q. Did you review the various tariff changes as
3 proposed by the Company's Rate Panel?

4 A. Yes. The Company proposed to extend the date
5 for accepting applications to commence service
6 under Business Incentive Rate (BIR) from March
7 31, 2009 to March 31, 2010. I have no
8 adjustments to the Company's proposal.

9 Q. Have you reviewed the Company's proposed changes
10 to the uncollectible bill expense as presented
11 on page 40 of the Company's pre-filed Electric
12 Rate Panel testimony?

13 A. Yes. I have reviewed them and have no
14 adjustments to the Company's proposals.

15 **Revenue Forecast**

16 Q. Have you reviewed Con Edison's forecasted rate
17 year revenues at current rate levels?

18 A. Yes. As reflected in the Company's pre-filed
19 Exhibit__ (FP-8), the Company forecasts
20 collecting \$3.47 billion in T&D revenues during
21 the rate year at current rate levels and based

1 on its sales forecast of 59,027 Gigawatt hours
2 (GWh).

3 Q. Does Staff propose a different sales forecast
4 for the rate year?

5 A. Yes. Staff witness Liu is proposing a sales
6 forecast that is higher than the level of sales
7 reflected in the Company's forecast by 239 GWh.

8 Q. Have you developed an adjustment to the rate
9 year revenues based on Staff's forecast of
10 increased sales?

11 A. Yes. I estimated that the rate year revenues
12 forecasted by the Company should be increased by
13 \$12.752 million.

14 Q. Please explain how you arrived at your
15 adjustment.

16 A. In response to DPS-13 and DPS-14, the Company
17 provided a model that priced out the rate year
18 revenues at current rates based on its
19 forecasted customer and sales levels. I used
20 this model to calculate the level of rate year
21 revenues that would be collected at current

1 rates based on Staff's sales forecast. My
2 adjustment does not reflect taxes. I have
3 provided my price-out of Staff's increase in
4 sales to the Staff Accounting Panel.

5 **Plant in Service Model**

6 Q. Please explain the Plant in Service forecast
7 Model?

8 A. The Company provided a detailed Plant in Service
9 Model. The Model included projections of the
10 specific date when each individual capital
11 project will go into service for the years 2008
12 through 2012. The Plant in Service Model
13 arrives at the projected average net plant and
14 estimated monthly balances that serve as a basis
15 for the rate year projections.

16 Q. Have you developed adjustments to the Plant in
17 Service Model?

18 A. Yes. Staff witnesses examined the forecasted
19 cost and projected in service dates of each
20 capital project proposed by Con Edison in this
21 case. I was given specific adjustments to the

1 capital expenditures from the Staff
2 Infrastructure Investment Panel, the Staff
3 Electric Production Panel, the Staff Shared
4 Services Panel, the Staff Accounting Panel and
5 Staff Witness Insogna. I incorporated those
6 adjustments into the Plant in Service Model.
7 These adjustments resulted in changes to the
8 average net plant in service for the twelve-
9 month period ending March 31, 2010 of \$14.75
10 billion, as shown in Exhibit__ (LAR-5). I
11 provided this number to the Staff Accounting
12 Panel to be used in Staff's Revenue Requirement
13 Model. The Exhibit __ (LAR-6) shows Staff's
14 specific forecasted plant in service by category
15 as compared to what the Company has filed.

16 Q. Does this conclude your testimony at this time?

17 A. Yes.

18

19