POWER MOVES !

March 2005

A publication of the New York Energy Consumers Council (NYECC)
Compiled and edited by:
Michael C. Sanfilippo – Great Forest Inc.

NYECC's Names Executive Director

NYECC NAMES ENERGY PROFESSIONAL DAVID BOMKE AS EXECUTIVE DIRECTOR TO HEAD NY'S LARGEST ENERGY CUSTOMER ADVOCACY ORGANIZATION

NEW YORK, NY --- In a move which further accelerates the NYECC's (New York Energy Consumers Council) drive to provide major customers in the Con Edison service territory with rate case intervention, advocacy, education and informational services, energy management professional David F. Bomke has been named the group's first Executive Director.

The group was recently formed as a result of the consolidation of the Owners' Committee on Electric Rates, Inc. ("OCER") and the New York Energy Buyers Forum (NYBEF), which together represent one-third of all the energy consumed by commercial entities in New York City and Westchester County. Bomke was an early member of the NYBEF and served as the Chair of its Steering Committee.

The appointment was announced by Peter L. DiCapua and Jay Raphaelson, NYECC Co-Presidents, who described Bomke as "possessing the precise blend of expertise in the energy field, and superb management and communications skills that the NYECC *(continued pg 2)*

NYECC Opposes Attempt to Raise Electric Delivery Rates for Incremental Demand Management

On April 30, 2004, Con Edison Company of New York, Inc. ("Con Edison") formally initiated the process to raise electric rates. In its filing, Con Edison sought a rate increase of $550 million for the one year period from April 1, 2005 through March 31, 2006. The broad array of materials filed in conjunction with the rate request included provisions for further annual increases of $175 million in the second year and $290 million during the third year. The simple three-year impact of these rate plan submissions exceeded $1.015 billion. As the increases in rate year 1 roll forward in rate years 2 and 3, however, and the increase in the second rate year also continues in the third year of the rate case, the combined effect of this original submission represented a total three-year impact of $2.29 billion.
(continued on page 3)

Voluntary Demand Curtailments:
Options, Benefits and Caveats

- **William J. Museler, President & CEO: New York Independent System Operator**
- **Natale DiDonato: Con Edison Solutions**
- **David Brewster, President & COO: EnerNOC**
- **Vinay Gupta, Chief Operating Officer: ConsumerPowerline, Inc.**
- **Peter Savio & Chris Smith: New York State Energy Research & Development Authority**

Wednesday
March 16th
8:30 AM - 11AM
(sign-in and coffee starts at 8:30)

The Old Customs House
One Bowling Green

New Executive Director *(continued from page 1)*

needs to further its mission of obtaining reliable energy at affordable prices for our members."

Bomke's responsibilities are multiple and complex, going beyond "the core responsibilities of member recruitment and retention, and general association management," he explained. "When rate case intervention, such as that we just completed with the Public Service Commission is not driving our immediate focus, we must continue to analyze and assess the marketplace, and make sure that our members are being given the proper information about the constantly changing marketplace so that they can make educated decisions on energy management policy," he continued. "We're helping them navigate through uncharted waters, to understand and recognize beneficial vs short-lived opportunities for energy savings, for example, while sorting through the pros and cons of the services offered by energy providers, or understanding how various types of deals are constructed."

The new Executive Director foresees the NYECC's role as the Con Edison marketplace's total resource for the energy management profession, and he is already structuring education and advocacy efforts to benefit members and the business community at large. He has already launched an information newsletter, distributed briefing bulletins and advisories, and is developing quarterly seminars to examine the marketplace and provide decision-making guidance. Above all, Bomke says, "some of the greatest information sources and resources lie within our membership, and our healthy, and growing membership is of the highest quality in that regard."

He will also be coordinating the intervention and advocacy efforts undertaken by the NYECC, which through its previous constituent entities, was responsible for more than $1 billion in savings in energy costs.

"we must continue to analyze and assess the marketplace, and make sure that our members are being given the proper information about the constantly changing marketplace so that they can make educated decisions on energy management policy"
- David Bomke

To this formidable position Bomke brings more than two decades of expertise as both a management consultant and an energy manager. In the last decade alone, for both private, and state and local governmental clients, he had management responsibility for more than $300 million in energy budgets. Among his clients were a major New York State Agency, as well as public school systems and private universities in New York and Florida. He has also served in Information Technology, telecommunications, general budgetary and human resources/management capabilities as well.

A published author of energy-related articles, including a leading primer on the potential impact of electrical deregulation on educational institutions, Bomke is a cum laude graduate of MacMurray College (Jacksonville, Illinois) and pursued graduate work at Rice University in Houston.

Natural Gas Market Update

–Daniel Levin, Ernst & Young Energy Advisory Services

Natural gas prices continue to remain high despite almost record amounts of gas in storage. The upward pressure on natural gas prices stems from legitimate concern over the global supply and demand balance for oil and because three weeks of winter remain, which if they are cold could erode the surplus gas supply.

At present, the 12 month strip price for natural gas is at $7.14 per MMBTU, down from the $8.20 high last fall. This winter's mild weather has helped increase gas supplies which are now at 26% above the five year average. Over the next four to six weeks the gas withdrawal season will come to close and gas injections will begin. The amount of surplus gas at that point will be an important factor in movement of natural gas prices. The recent spell of colder weather is expected to reduce the surpluses, but even the most bullish scenario would put the surplus in the 5% to 10% range.

Lastly, it is important to mention that the volatility and high price of oil products is having a large impact on the natural gas markets. Historically (and before the current oil market environment) a surplus of natural gas above 20% has moved pricing into the $2.00 per MMBTU range. In light of the present market situation, I think we would all be pleased to see natural gas prices in the middle $5.00 range.

Con Edison Sets New Saturday, Sunday and Weekend Records for Winter Electric Use

Con Edison has reported a new winter Saturday peak load record of 7,934 megawatts on January 22, 2005 and a new winter Sunday peak load record of 7,846 megawatts on January 23, 2005. A new winter weekend record for power consumption was also reached during these two weekend days when customers used 327,169 megawatt hours, which surpassed last January's weekend record of 318,528 megawatt hours. This winter's cold weather has also set records for 5 of the 10 highest peak loads for winter weekdays with the remaining 5 having occurred last winter.

Regulatory Update *(continued from page 1)*

After litigating this proceeding for seven months on numerous issues, on December 2, 2004, the New York Energy Consumers Council, Inc. ("NYECC") and some of the other active parties, in the Con Edison Electric Rate Case (Case No. 04-E-0572) pending before the Public Service Commission ("Commission"), became signatories to a Joint Proposal ("JP"). The JP, which is subject to Commission approval, sought to resolve certain issues contested between Con Edison and the other active parties. Among the issues provided for in the JP is a three-year electric rate plan in which the first year rate increase is reduced to $104.6 million, the second year increase is eliminated entirely, and the third year rate increase is cut to $220.4 million, reducing Con Edison's original increase request by more than $1.75 billion, or by nearly 80%. The JP also includes a provision of particular interest to many NYECC's members, namely, that Con Edison will not impose, during the Electric Rate Plan, standby service charges on customers solely because they have already installed, or because they will install, hybrid chillers and/or thermal storage systems. The JP also contains a compromise on the issue of allocating revenue in accordance with the recommendations of a Con Edison Electric Cost of Service study that identified a contribution deficiency for the NYPA service class.

Although the NYECC fully supported the provisions of the JP laid out above, we took the strongest possible exception to a late addition to the terms of the Joint Proposal which sought to increase electric rates by as much as an additional $379 million (and possibly more), or by an additional 71% of the entire $534.2 million rate increase carefully negotiated during the settlement phase of this proceeding. This provision troubled the NYECC for a number of reasons. First, we were very concerned that the untimely insertion of this provision prohibited the extensive scrutiny necessary to ensure the maximum effectiveness of the proposal. Second, we were concerned that the strategy outlined for effecting permanent demand reductions was not demonstrated to be economically valid within Con Ed's service territory. Third, we were concerned that the exclusion of NYPA customers from the DSM reduction program would force non-NYPA customers to pay a disproportionate share of the program's burden. Finally, of course, we simply objected to exposing our members to rate increases significantly greater than the level to which all parties had previously agreed, especially as those rate increases were reflected in the revenue allocation of the JP.

It should be noted, however, that NYECC's opposition to the last-minute insertion of these provisions into the JP does not in any way indicate NYECC's opposition to the prudent implementation of an expanded DSM program. Rather, we argued that the value of such a program was too great to include it in this rate case without the most comprehensive review practical to ensure that all customers get the maximum value from such a program. We continue strongly to support the initiation of a separate proceeding dedicated exclusively to identifying the most effective mechanism possible for generating the reductions in peak demand so critical to the reliability of our regional electric transmission and distribution systems.

On January 5 and 6, 2005, an evidentiary hearing was held before Administrative Law Judge Gerald L. Lynch on the contested demand management provisions of the JP. Post-hearing briefs were filed with Judge Lynch on January 18, 2005, who will prepare a report and recommendations to be submitted to the Commission for its consideration at a public session in March 2005.

NYECC argued in its Post-hearing brief that 1) the evidentiary record lacked the substantive evidence to support the substantial cost of the proposed targeted and system-wide initiatives and therefore should be rejected, or only adopted after a full evidentiary hearing showing that these programs and costs and not prior programs and cost will produce net ratepayer benefits to all classes; 2) that the demand management provisions violate sections of the Public Service Law, including that they provide an unreasonable preference or advantage for certain service classes over others both within the Con Edison service classes and as between those same classes and the non-Con Edison service classes; and 3) that non-participants in the proposed demand management programs be allowed to forego the proposed initiatives enabling them to pay lower utility rates as many of these large commercial customers who have expended funds and have already implemented demand management programs will be forced to subsidize programs in which they cannot participate and receive little or no benefit.

Following the Commission's decision, the new rates—whatever they may finally be—are expected to become effective April 1, 2005. The following charts provide some indication of the approximate rate impact currently anticipated. As we remain convinced that the DSM provisions should be addressed independently from this rate case, these charts show both the increases anticipated without and with the impact of these provisions.

Under the terms of the JP as endorsed by the NYECC, the following member service classes would experience the increases in T & D rates shown below. Remember that these increases apply only to the transmission and distribution charges billed by Con Edison, which generally represent only about 40% of customers' total electric bills. Accordingly, members trying to predict the fiscal impact of this rate

A publication of the New York Energy Consumers Council (NYECC)
Compiled and edited by:
Michael C. Sanfilippo — Great Forest Inc.
Contributing writers:
David Bomke — NYECC
Dan Levin — Ernst & Young,

11 Penn Plaza–Suite 1000
New York, NY 10001-2006

Phone: 646 473-1419
Fax: 646 473-1427
E-mail: info@nyecc.com

Educating Energy Consumers Toward Economical Energy Options

A consolidation of the New York Energy Buyers Forum (NYEBF) and the Owners Committee on Electric Rates (OCER), NYECC is the largest major energy consumer advocacy group in New York. We continue to build on our nearly 60 year history and look forward to saving our members, as well as many other local energy users, another billion dollars thru intervention and education.

[NYECC.com]

Regulatory Update *(continued from page 3)*

case should apply the increase(s) shown to only about 40% of their total electric bill(s). As supply costs are no longer regulated, these rates offer little insight into how much the supply component of electric bills might change during this three-year period.

	RY1	RY2	RY3
System	6.7%	0%	6.8%
NYPA	8.2%	0%	10.4%
SC4	6.8%	0%	6.7%
SC4 TOD	4.9%	0%	5.9%
SC8	7.6%	0%	6.7%
SC8 TOD	7.8%	0%	6.7%
SC9	6.8%	0%	6.7%
SC9 TOD	3.4%	0%	5.3%

The following chart reflects the approximate total percentage increase anticipated if the total cost of the DSM provisions is $379 million and is incorporated into the T & D rate structure during the three-year term of the JP. Customers would pay the DSM components of the increase in their MAC charges if Con Edison and NYSERDA were able to secure the ambitious permanent load reductions mandated in the JP. The actual costs of the demand management initiatives of the JP are uncertain at this time, pending the Commission's adoption of the proposed initiatives in the JP. The following chart indicates the potential combined impact of both the base rate increase and the incremental DSM provisions.

	RY1	RY2	RY3
System	11.5%	3.5%	7.5%
NYPA	8.2%	0%	10.4%
SC4	11.9%	4.9%	6.1%
SC4 TOD	12.5%	5.2%	6.3%
SC8	14.8%	6.5%	6.2%
SC8 TOD	15.7%	7.2%	6.2%
SC9	13.2%	5.8%	6.3%
SC9 TOD	11.9%	8.1%	4.7%