New York Energy Consumers Council

POWER MOVES

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CON EDISON ELECTRIC RATE HIKE CUT BY TWO-THIRDS – NEXT YEAR'S RATES IN QUESTION

Not surprisingly, the simple headline that the Public Service Commission (PSC) approved a $425 million one-year rate increase for Con Edison, effective April 1, 2008, only touches the tip of the story. Critics of the utility company lambasted the PSC for authorizing such a massive increase, but parties involved in the entire 11-month proceeding that ended with the March 25th PSC Order recognize that many of the elements of the utility's original request for an annual increase of $1.2 billion last May – or a three-year increase totaling $4.735 billion – are still on the table. Most parties are therefore anticipating that Con Ed will be filing another huge rate increase request in the very near future. For the first time in at least ten years and possibly more than twenty years, Con Edison failed to negotiate a multi-year rate plan, as the PSC apparently wanted a more exhaustive and transparent record of the investigation into the rate request.

The parties who intervened in this rate case challenged many of the premises that Con Edison had used to justify this rate increase request, and the PSC responded by reducing the overall requested increase in delivery rates from 35.2% to an estimated 14.8%. To minimize the sticker shock of the actual increase, this has been reported as a reduction in bill impact from 11.6% to 4.7%. Con Edison had also requested authorization to collect significant ratepayer funds to support energy efficiency investments, but the PSC denied the Company's request for approximately $200 million or more of additional funding for conservation purposes. The following tables highlight the economic impact of our member advocacy efforts:

It is also well worth noting that the approved increase still leaves many potential rate impact exposures for the not so distant future. Although the PSC's Order permits only an annual recovery of $14 million of pending World Trade Center costs, it is likely that the Company will eventually recover significantly more than that from ratepayers. The Order attempts to curtail the Company's recovery of property taxes, but ultimately ratepayers will likely bear the real burden. The Order limits initial energy efficiency funding authorization to a "mere" $2 million, but that is likely to grow significantly as the Energy Efficiency Portfolio Standard is approved in the next few weeks in the PSC's proceeding bearing this name. The PSC's Order's deferral of the Company's request for authorization to invest in Advanced Metering Infrastructure (AMI) will likely be translated into a rate increase when the PSC issues its order in the statewide

Delivery Rate Impacts:

Service Classification	Requested Delivery Rate Increase	Approved Delivery Rate Increase
SC 9 (Rate 1)	32%	13.8%
SC 9 (Rate 2)	17%	11.3%
SC 4 (Rate 1)	29%	12.4%
SC 4 (Rate 2)	23.3%	10.5%
Total System	35.2%	14.8%

AMI proceeding. Ultimately, the PSC may still authorize much, or all, of the Company's $1.6 billion in capital expenditures in "excess" of authorized spending made between 2005 and 2008.

The PSC's approximately 200-page Order addresses points raised in the Company's original filing, thousands of informational requests, hundreds of which are memorialized into the official record, more than 5,000 pages of direct and rebuttal testimony, and thousands of more pages of legal briefs, replies to those briefs, a Recommended Decision (RD) crafted by three Administrative Law Judges (ALJs), exceptions to the RD, and reply briefs to those exceptions. The PSC's Order representing just and reasonable rates, exemplifies the usual tension between the PSC's reciprocal obligations to protect ratepayers on the one hand while also protecting the Company on the other. The 11-month regulatory process clock started ticking again when the Company filed its next proposal for a rate increase on May 9, 2008. In other words, Stay Tuned! Even now the NYECC is preparing to fight for its constituents.

Your membership support will be more important than ever in this new regulatory arena. If you are already a member, please plan to stay engaged. If you are not yet a member, please plan to join as soon as possible. Traditionally, every membership dollar invested in rate case intervention has paid for itself many times over in reduced rates!

Total Bill Impacts (if commodity costs held constant):

Service Classification	Total Requested Increase	Approved Rate Increase
SC 9 (Rate 1)	10.7%	4.6%
SC 9 (Rate 2)	5.7%	3.78%
SC 4 (Rate 1)	10.5%	4.5%
SC 4 (Rate 2)	7.3%	3.29%
Total System	11.6%	4.7%

ENERGY MARKET UPDATE

We are all keenly aware of the recent rise in energy prices. Oil, gasoline, natural gas and electricity have all seen significant increases of more than 35% in the past 12 months. A sample of the price movement of three of our vital fuels is presented below:

June 2008 Futures Contract Prices			
	May-07	*May-08*	*Increase*
Oil	$71	$124	75%
Nat Gas	$8.45	$11.39	35%
Heating Oil	$1.97	$3.62	84%

Energy Price Movement - 12 month period

To make matters worse, there is little news supporting a retracement of prices. Key market factors affecting energy prices current and future are:

1) World Energy Demand – Extreme rapid economic growth in Asia has created a heated and competitive market for oil and natural gas. This is not more evident than in the fact that LNG (liquefied natural gas) tankers are frequently rerouted in transit to the highest bidder!

2) World Energy Supply – While there remains plenty of oil in the ground, production operation are mostly running at high capacity with limited ability (and desire) to expand supply. Despite the economic principle that high prices lead to increased supply, that theory is not working with oil at this time.

3) The Weak Dollar – Oil trading is pegged to the US dollar. As the value of the dollar falls the prices rise. Over the past year the dollar has lost approximately 11% of its value.

As we approach this summer with a forecast for an above average number of hurricanes (lets ignore the past two summer hurricane forecasts) and above average temperatures it is almost certain that we will witness additional record high prices and new challenges in managing our energy costs.

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