



POWER MOVES !

MAY 2010

A publication of the New York Energy Consumers Council (NYECC)

Compiled and edited by: David F. Bomke, Executive Director and Daniel Levin, Co-President

REGULATORY UPDATE

BY DAVID F. BOMKE, EXECUTIVE DIRECTOR, NYECC

A TALE OF THREE PROCEEDINGS

On May 18, 2010, Joint Proposals (JP) were filed in two rate cases for the New York State Public Service Commission's (Commission) consideration. The two rate cases filed by Consolidated Edison Company of New York, Inc. (Con Edison) in November of 2009 were for natural gas rates – 09-G-0795 and steam rates – 09-S-0974. The East River Repowering Project (ERRP) allocation issue portion of another Steam Proceeding (09-S-0029), initiated in February of 2009, was consolidated with the steam rate case on January 6, 2010 and is addressed in the JP for the steam rate case. The New York Energy Consumers Council, Inc. (NYECC) has actively participated in all three cases and is a signatory to the two JPs collaboratively developed by a broad range of stakeholders. Some parties are opposing certain terms of these JPs. The terms agreed to in the JPs will ultimately be decided by the Commission.

In the natural gas case, Con Edison originally proposed that the revenue requirement be increased by \$160.8 million in Rate Year 1 (RY1) (an annual increase of 9.0% on total bill, or 20.6% on delivery only), \$55.9 million in Rate Year 2 (RY2) (an annual increase of 2.9% on total bill, or 6.6% on delivery only), and \$56.3 million in Rate Year 3 (RY3) (an annual increase of 2.9% on total bill, or 6.7% on delivery only). These requested increases reflect a return on equity (ROE) of 10.8% for a one year rate plan and 11.3% for a multiyear rate plan. Instead, the gas JP recommends that the Commission increase the Company's retail gas sales and gas transportation service rates and charges to produce an additional \$47.1 million in incremental annual revenues in RY1 (an increase of 2.3% on total bill, or 6.1% on delivery only), an additional \$47.9 million in RY2 (an increase of 2.4% on total bill, or 6.2% on delivery only), and an additional \$46.7 million in RY3 (an increase of 2.3% on total bill, or 6.0% on delivery only). The gas rate plan also imputes an additional \$18 million of non-firm revenues. These increases reflect an ROE of 9.6%. The three-year cumulative impact of the gas JP is an increase of \$283.8 million -- only 44% of Con Edison's original request and \$366.7 million in savings to customers over the term of the three year plan.

In its steam rate case, Con Edison originally proposed that the revenue requirement be increased by \$128.8 million in RY1 (an increase of 18.2% on total bills), but also included a four-year plan that included a levelized increase of \$66.1 million (an increase of 9.4% on total bills) for each of the four years. The requested increase for a one-year rate plan reflected a return on equity (ROE) of 10.8%; the four-year rate plan was based on an ROE of 11.4%. The steam JP recommends a three-year rate plan and that the Commission increase the Company's retail steam rates and charges to produce an additional \$84.1 million in incremental annual revenues in RY1, an additional \$10.4 million in RY2, and an additional \$22.4 million in RY3, respectively. These increases reflect an ROE of 9.6%. The Signatory Parties recommend a levelized

INSIDE THIS ISSUE

Regulatory Update
Pages 1, 4

2010 ENYA Celebration on May 19, 2010
Page 2

Market Update
Page 3

REGULATORY UPDATE

Joint Proposals Filed May 18, 2010 - New Steam and Natural Gas Rates Anticipated October 1st. Preliminary revenue increase estimates:

Natural Gas Revenue Increases Anticipated

	Delivery	Total Bill
RY 1	6.1%	2.3%
RY 2	6.2%	2.4%
RY 3	6.0%	2.3%

Steam Revenue Increases Anticipated

	Total Bill
RY 1	7.1%
RY 2 ¹	8.2%
RY 3 ¹	8.2%

Reflecting the proposed reallocation of ERRP costs from electric to steam customers

See Last Page

5TH ANNUAL ENYA CELEBRATION ENERGY NEW YORK AWARDS - MAY 19, 2010

BY DAVID F. BOMKE, EXECUTIVE DIRECTOR, NYECC

The New York Energy Consumers Council, Inc. (NYECC) is fully committed to fostering innovation and leadership in New York's Energy Community. We recognize the critical need for vision, long-term planning, and prudent capital investment in the energy infrastructure that supports New York's economic engine.

The Energy New York Award, popularly recognized today as the coveted ENYA, was established in 2005 to recognize extraordinary energy leadership in New York City and Westchester County. As an indication of its non-partisan nature, the inaugural ENYA was presented to Eugene McGrath, the retiring chief executive officer of Consolidated Edison. In considering other candidates for our initial award, Gene continued to rise to the top — despite years of sitting on opposite sides of regulatory negotiations.

We honored Gene's well-proven track record as a leader; his unwavering leadership; his uncontested experience in New York's Energy Community; his effectiveness as an adversary; and finally his demonstrated ability to maintain unparalleled system reliability even as he successfully steered a course through the uncharted waters of electric utility company deregulation. Ultimately, he set a high standard for subsequent ENYA nominees and winners.

In 2006, the NYECC honored seven nominees, including one of NYECC's founding Co-Chairmen, Peter L. DiCapua, of ATCO Properties & Management, Inc., and Larry Silverstein, of Silverstein Properties, Inc. Ultimately, we could only present one award that year, and it was presented to Douglas and Jonathan Durst of the Durst Organization. Faced with another extraordinary pool of candidates the following year, two awards were presented — to New York University and to John J. Gilbert, III, of Rudin Management Company, Inc. The extraordinary field of nominees in 2009 led to presentations of three ENYAs — to Russell Albanese, of Albanese Organization; to Joe Ienuso, of Columbia University; and to Brian Schwagerl, of the Hearst Corporation.

In 2010, five organizations were nominated for ENYA consideration:

- ATCO Properties & Management, Inc. - Damon J. Hemmerdinger
- Fisher Brothers - Frank DeNicola, Michele Kilcullen, and Jack Whalen
- Rockefeller Group Development Corporation - William K. Stoddard
- Parish of Trinity Church - Trinity Real Estate - Al Amore and Emily Lloyd
- Vornado Realty Trust - David R. Greenbaum

The award recipients will be announced on Wednesday evening, May 19, 2010. Stay tuned to learn the results!

Only members of the New York Energy Consumers Council in good standing can nominate candidates for the ENYA, but membership is not a prerequisite for nomination or for winning an ENYA. Nominations for the 2011 ENYA will be solicited this summer, and NYECC members are encouraged to begin considering candidates now. Non-members should always consider joining the NYECC! 

5th Annual ENYA
("Energy New York
Awards")
Celebration honors
eight individuals
representing five
organizations in
three categories:

INNOVATION

Bill Stoddard
David Greenbaum

LEADERSHIP

Damon
Hemmerdinger

VISION

Al Amore
Frank DeNicola
Michele Kilcullen
Emily Lloyd
Jack Whalen

MARKET UPDATE

BY DANIEL LEVIN, PRESIDENT LEVIN ENERGY ADVISORS, LLC /
CO-PRESIDENT, NEW YORK ENERGY CONSUMERS COUNCIL, INC.

Energy Market Assessment Matrix - Week of May 16th, 2010

Market Characteristics	Key Status Points	Near Term 1 - 6 months	Long Term 6 - 18 months
Demand Oriented (Industrial/Commercial Demand Point Of View)			
Overall Economic Activity	Economy weak with slow improvement.	Weak to Neutral	Weak to Neutral
Weather	Above normal temps through 2010. Higher summer demand to be watched. (source:NOAA)	Mild Strong	Mild Strong
Supply Oriented (Availability Of Supply)			
New Wells	Year over year increase of 200	Weak	Weak
Well Productivity	Year over year increase expected	Weak/Neutral	Weak/Neutral
Storage Reserves (Natural Gas)	Storage increases on track for 3800 bcf end of season supply expected.	Weak/Neutral	Weak/Neutral
Weather	Above Normal Hurricane Activity - May affect summer supply. NOAA forecasts 15 names storms, 4 major storms with 10 major hurricane days. 15% over average for hurricane landfall for entire US, FL, and Caribbean/GOM. (source:NOAA)	Mild Strong	Neutral
Other Drivers			
Current vs. Historical Pricing	Slight increase compared to 2009. (source: EIA)	Mild Strong/Neutral	Mild Strong/Neutral
Oil Pricing (Market Impact)	Strong dollar keeping prices in check (helped by weaker Euro). Price may trend up with stabilized Euro economy later in 2010.	Weak/Neutral	Neutral
Overall Assessment:	Economy (US and Global) still primary driver. In the longer term, watch for rising interest rates and inflation as non-fundamental market price drivers.	Mildly Bearish	Neutral/Mildly Bullish

The table above is a basic assessment of current market conditions for natural gas (which greatly affects NYC electric prices). "Weak" indicates a bearish, downward market force on prices and "Strong" a bullish, upward market force on prices.

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*Educating Energy Consumers
Toward Economical Energy Options*

MEMBERSHIP VALUE

For 56 years, the NYECC, operating prior to 2004 as the Owners' Committee on Electric Rates (since 1953) and the New York Energy Buyers Forum (since 1992), has helped secure energy bill savings (avoided costs) for its members of approximately \$10 for every \$1 paid in member dues. No other organization is exclusively focused on the shared interests of large commercial, industrial, and institutional energy consumers in Con Edison's electric, gas, and steam service franchises. The NYECC is committed to economic, reliable, and environmentally responsible energy production, delivery, and use in New York City and Westchester County. NYECC members are committed to active control of their own energy destinies. Although NYECC's intervention in the legislative and regulatory arenas benefits all large consumers in Con Edison's territory – including both members and non-members, only NYECC members benefit from the organization's breadth and depth in specific issue advocacy at both Con Edison and the PSC. 



REGULATORY UPDATE, *CONTINUED*

BY DAVID F. BOMKE, EXECUTIVE DIRECTOR, NYECC

plan to moderate the first year rate increase that would increase incremental annual revenues by \$49.5 million in each of RY1, RY2 and RY3. The levelization will cost customers an additional \$1.7 million in interest on the delayed rate increase from RY1 compared to the non-levelized option. Accordingly, \$31.8 million of levelized increases in RY3 will be collected by class specific temporary surcharges effective only for RY3. The primary causes of the proposed rate increases are attributable to loss of sales, property taxes, capital additions, pensions and other post employment benefits, and expiring credits. The JP in the steam rate case represents a three-year savings of approximately \$100 million, or 25% of the original four-year levelized rate increase request.

The JP in Steam also includes a proposed change to the allocation of fuel costs at the ERRP beginning in RY2, which would continue in RY3 and beyond the term of the Steam Rate Plan, unless and until changed by the Commission. Under the proposed change, \$7.5 million of ERRP fuel costs would be re-allocated from electric customers to steam customers. The Steam Rate Plan also provides for a collaborative to explore ways to mitigate the need to build new capacity by reducing the steam peak demand.

The three-year rate plans in both cases would begin on October 1, 2010 and would incorporate incremental annual rate increases on October 1, 2011 and October 1, 2012. The rates set on October 1, 2012 would continue beyond September 30, 2013 unless Con Edison files for a new rate increase typically in November of 2012. Both rate cases anticipate significant savings from austerity and from Con Edison's implementation of the recommendations of the independent Liberty Management Audit, the public version of which was filed on June 16, 2009. 