



CON EDISON FILES THREE RATE CASES

by David F. Bomke

On January 25th, 2013 Con Edison filed three rate cases for new electric, natural gas, and steam rates that would go into effect on January 1st, 2014 for a one-year period. However, Con Edison intends to explore multi-year rate plans for all three services in settlement negotiations. In his letter covering that filing, Con Edison President Craig Ivey makes several statements regarding these filings:

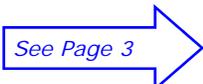
"...these new rate filings focus on the need for investments and preventive measures to further strengthen critical infrastructure designed to reduce the impact of future major storms on our customers.

"Specifically, the filings include approximately **\$1 billion** in potential storm hardening structural improvements over the next four years that are intended to reduce the size and scope of service outages from major storms, as well as to improve responsiveness and expedite the recovery process to better serve our customers. The \$1 billion includes a Con Edison commitment to spend \$250 million on storm protection measures over the next two years. We note that the cost impact of these investments on customers will be mitigated to the extent federal assistance or other forms of external funding become available. [Emphasis supplied]

"We have identified several strategies based on our own recent experience, as well as our understanding of several preliminary recommendations made by new commissions established by Governor Cuomo following Superstorm Sandy. Con Edison plans to continue to work with representatives of New York State, New York City, Westchester County, industry and civic organizations, among others, in an effort to protect critical infrastructure from major storms. Our plans include strategic undergrounding and flood protection projects, including flood walls for certain electric and steam equipment, raising critical equipment in light of higher potential flood levels, upgrading gas system equipment, and accelerating installation of submersible equipment, where appropriate. We also propose various projects to improve the flexibility of the electric distribution system, including the installation of additional switches and related smart grid technology as well as the reconfiguration of certain networks to reduce the impact to customers most affected by certain storms, and to reduce or eliminate the impact to other customers.

"Today's filings initiate an extensive public review process by the Commission and other interested parties on a schedule designed to implement new rate plans on or before January 1, 2014. By reflecting our plans to invest **\$1 billion** in structural improvements, we believe our proposed rate plans provide a timely and efficient vehicle for the Company, Staff and other major stakeholders to agree upon the appropriate investments to prepare our energy delivery systems for future major weather events like Superstorm Sandy." [Emphasis supplied]

Key provisions of Con Edison's filings are summarized on page 3 of this newsletter. 

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NYISO TO DEPLOY A NEW LOWER HUDSON VALLEY CAPACITY ZONE

by Norman Mah, Con Edison Solutions

The NYISO ICAP market is currently divided into three separate installed capacity pricing zones, NYC, Long Island, and the Rest of the State. All the load zones have a reliability capacity requirement that is determined annually and charged to loads on the basis of each customer's peak usage. The Rest of the State has a reserve requirement that consists of a minimum percentage of capacity greater than peak load conditions and located within the NYISO. Each of the local zones, NYC and Long Island, must also have an individual locational requirement that consists of a minimum capacity located within each zone. Each local zone has an individual capacity curve that is used to determine the pricing and cost for consumers.

The Federal Energy Regulatory Commission Order (ER04-449-023) issued in 2011 required the NYISO to test the electric system for the need to

develop a new capacity zone. The NYISO test has determined a need for a new zone in the G-K area, starting in May of 2014. The new zone will be called the Lower Hudson Valley (LHV) zone. As in the NYC zone, the LHV zone will have an individual capacity market and require customers in that zone to purchase a minimum amount of capacity within that zone from the available suppliers. Preliminary consumer price impacts studies made by the NYISO have shown potential large cost increases for the G-K region as a result of the new capacity zone. NYISO will make its compliance filing on March 31st, 2013, and, if approved by the FERC, the LHV zone will be in effect by May 2014. Some companies, like Consolidated Edison, with concerns of large cost increases for consumers, have asked the NYISO to consider a transition plan to dampen the immediate price impacts. ➤

RESPONDING TO SUPER STORM SANDY—THE ROLE FOR DISTRIBUTED GENERATION/COMBINED HEAT & POWER

by David F. Bomke

Mayor Bloomberg's visionary PlaNYC 2030 seeks the development of 800 megawatts (MW) of clean distributed generation ("DG"). The loss of power to one million of Con Edison's electric customers as a result of Superstorm Sandy added dramatic impetus to the call for increases in customer-sited generation. The ability of Combined Heat & Power ("CHP") systems to deliver the maximum amount of useful energy to New York City's buildings generates strong demand for deploying new DG/CHP installations throughout the City of New York.

New systems must be designed and built to run before, during, and after future disasters and should be seen as critical components of efforts to increase the City's resilience to both weather and non-weather threats.

The City's DG Collaborative was formed in 2011 to help identify and resolve financial, regulatory, and other obstacles to greater deployment of DG.

The NYECC is currently working to develop a special seminar to explore ways in which large property owners can best integrate new and existing CHP installations into their disaster-preparedness efforts.

Please advise the NYECC as soon as possible if you would like to participate in the seminar, likely to be scheduled in late May or early June:

New York Energy Consumers Council, Inc.
11 Pennsylvania Plaza, FL 22
New York NY 10001-2006
212.356.0030 / David.Bomke@NYECC.com

CON EDISON FILES THREE RATE CASES, continued

Electric Service

"We seek an increase in revenues for electric delivery of approximately \$375 million, our smallest electric delivery rate request since 2004. This revenue increase would result in an overall customer bill increase of approximately 3.3 percent (7.2 percent on a delivery revenue basis). However, we anticipate that our customers' electricity bills will be reduced by the scheduled end of certain state-mandated supply contracts with non-utility generators. The Company estimates that the expiration of some of these contracts will result in savings to customers of \$46 million in 2014 and more in future years. In addition to enhanced storm hardening, the filing explains the need for continuing capital investments designed to maintain the safety and reliability of our electric delivery system. The filings also propose a regulatory process designed to facilitate investments to harden the Company's electric (as well as gas and steam) infrastructure against future storms in addition to the projects contemplated by the rate plans established in this proceeding.

Gas Service

"We seek an increase in revenues for gas delivery of approximately \$25 million, resulting in an overall customer bill increase of approximately 1.3 percent (2.6 percent on a delivery revenue basis). Our proposal constitutes the smallest gas rate request by the Company since 2000. We expect our natural gas infrastructure to grow significantly in the coming years due to the rapidly increasing gas usage resulting from oil-to-gas conversions. This expansion in gas heating use is due both to the declining cost of natural gas and to New York City's Clean Heat program that requires large buildings that burn No.6 and No.4 heating oil to discontinue their use over the next twenty years. We expect that many of these large buildings will switch their heating systems to natural gas over that period, producing additional revenues that should more than offset, over time, the Company's investment in gas infrastructure to support these conversions. In addition to our enhanced storm hardening efforts, there are other additional capital needs to maintain the safety and reliability of our gas delivery system, including a lower Manhattan connection to a new gas transmission pipeline

being developed by Spectra Energy, and the construction of a 1 0-mile gas main from the Bronx to White Plains.

Steam Service

"We propose a \$5 million decrease in steam rates for our approximately 1,750 steam customers in Manhattan. This decrease is in addition to an estimated \$66 million in annual fuel cost savings that will result from the conversion of two Con Edison steam plants from burning fuel oil to burning natural gas. These delivery rate and fuel cost reductions reflect the proactive approach we have taken to reduce steam system costs and their combined effect is equivalent to an overall decrease in customers' bills of approximately 10.1 %. The overall decrease is 13.8% considering the October 2013 elimination of the temporary surcharge included in the levelized Rate Year 3 rates established in the 2010 steam rate plan. We are also proposing a weather normalization mechanism for steam, which will benefit customers by reducing volatility in steam bills as a result of dramatic variations in weather from one winter to the next winter. Finally, in addition to our enhanced storm hardening efforts, we are addressing additional capital needs to maintain the safety and reliability of our steam system." [Emphasis in original]

– Craig Ivey, 25 January 2013 ➤

NYECC INTERVENES

NYECC secured active party status in all three cases, and NYECC Legal Counsel, George Diamantopoulos, of Seham, Seham, Meltz & Petersen, LLP and Executive Director David F. Bomke have already begun reading the equivalent of three boxes of testimony and exhibits. They have joined the New York State Department of Public Service and the City of New York's attorneys in filing hundreds of data interrogatories and have started studying Con Edison's responses received to-date.

A combination Procedural Conference and Technical Conference took place at the NYC offices of the Public Service Commission on March 11, 2013, when a schedule was set forth for the rest of 2013. NYECC anticipates filing direct testimony and exhibits in response to Con Edison's testimonies on or before May 31st, 2013. ➤

"EDUCATING ENERGY CONSUMERS TOWARD ECONOMICAL ENERGY OPTIONS"

2013 ENERGY NEW YORK AWARD NOMINATIONS NOW

Recognizing Innovation, Leadership, and Vision

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.

Each year the NYECC honors organizations and/or individuals who have demonstrated exceptional qualities of vision, innovation, and leadership in strengthening the energy reliability and economic competitiveness of New York by presenting them with Energy New York Awards ("ENYA"s).

The Nomination Process

The NYECC is currently accepting nominations for its 2013 ENYAs. Nominations can only be submitted by current NYECC members, but NYECC membership is not required for nominees. Nominees must be active participants in the energy community within Con Edison's service territory – the area served by the NYECC. The Nominating Committee will evaluate all nominees on the basis of individual contribution, leadership, originality, and uniqueness. NYECC members may nominate themselves or members of their organizations.

Applications in Word® or Adobe Acrobat® format can be downloaded from the NYECC web site, www.nyecc.com/ENYA.

Nominations should be submitted to the NYECC by mail, fax, and/or e-mail prior to the close of business on April 30, 2013. Nominations should be mailed to the address below, faxed to the fax number shown below, and/or e-mailed to ENYA@NYECC.com.

2013 ENYA Nominations

New York Energy Consumers Council, Inc.
11 Pennsylvania Plaza FL 22
New York NY 10001-2006
212.356.0063 Fax

Information regarding the ENYA presentation ceremony itself will be made available in the near future. If you have any questions regarding the ENYA or the nomination process, please call David Bomke at (212) 356-0030 or e-mail him at David.Bomke@NYECC.com.

Also, if you would be interested in sponsoring -- or helping to sponsor -- some element of this year's ENYA presentation, please let him know that as soon as possible.

Previous ENYA recipients have included Eugene McGrath, Former Chairman and Chief Executive Officer of Con Edison; Douglas and Jonathan Durst, of the Durst Organization; John Gilbert of Rudin Management Company; Brian Schwagerl of the Hearst Corporation; David Greenbaum of Vornado Realty Trust; Joseph Ienuso of Columbia University; Stephen Latargia of Tishman Speyer, Jonathan Resnick of Jack Resnick & Sons; and Paul Schwabacher of NYU Langone Medical Center. Will your name be added to the list of winners this year? ➤

MEMBERSHIP VALUE

For nearly sixty years, the NYECC, operating prior to August 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 New York State Public Service Commission.