

Con Edison

Powering New York's Future

Technical Conference
June 18, 2008



Outline

- Con Edison Service Area
- Major Elements of Rate Filing
- Capital Investment Summary
- Rate Mitigation



Unique Service Territory

- Con Edison Service Territory represents **1.3%** of NY State Area
- Con Edison expects to deliver **40.7%** of NY State 2008 peak demand



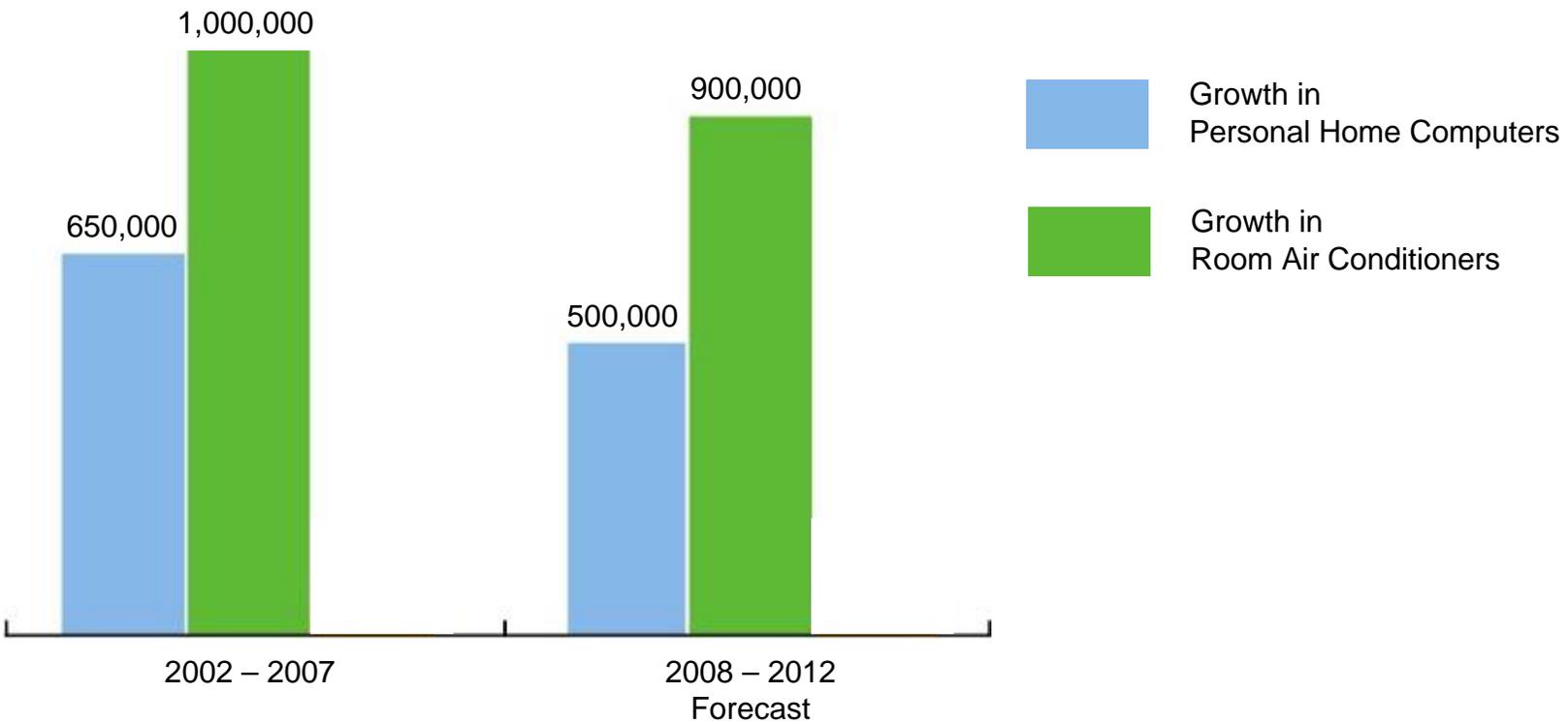
Unique Service Territory



Proliferation of Electric Devices



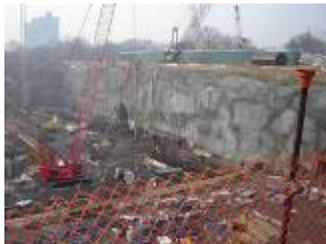
Proliferation of Electric Devices



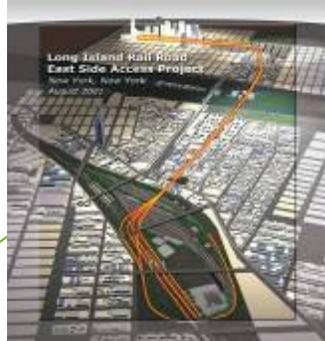
Major Development



Major Infrastructure



CROTON WATER TREATMENT PLANT



EAST SIDE ACCESS



7 LINE EXTENSION



SECOND AVENUE SUBWAY



PATH TRANSPORTATION HUB (WTC)

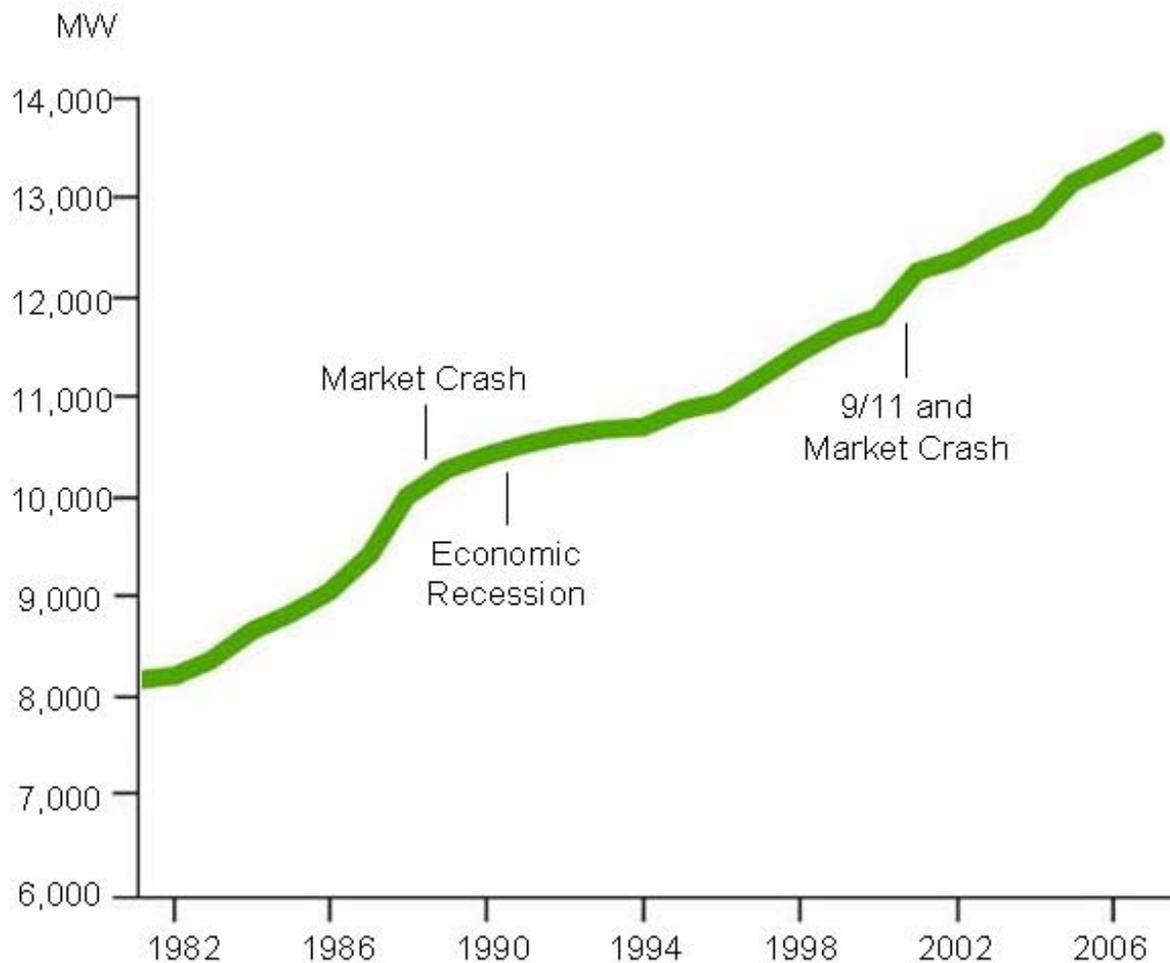


SOUTH FERRY TERMINAL

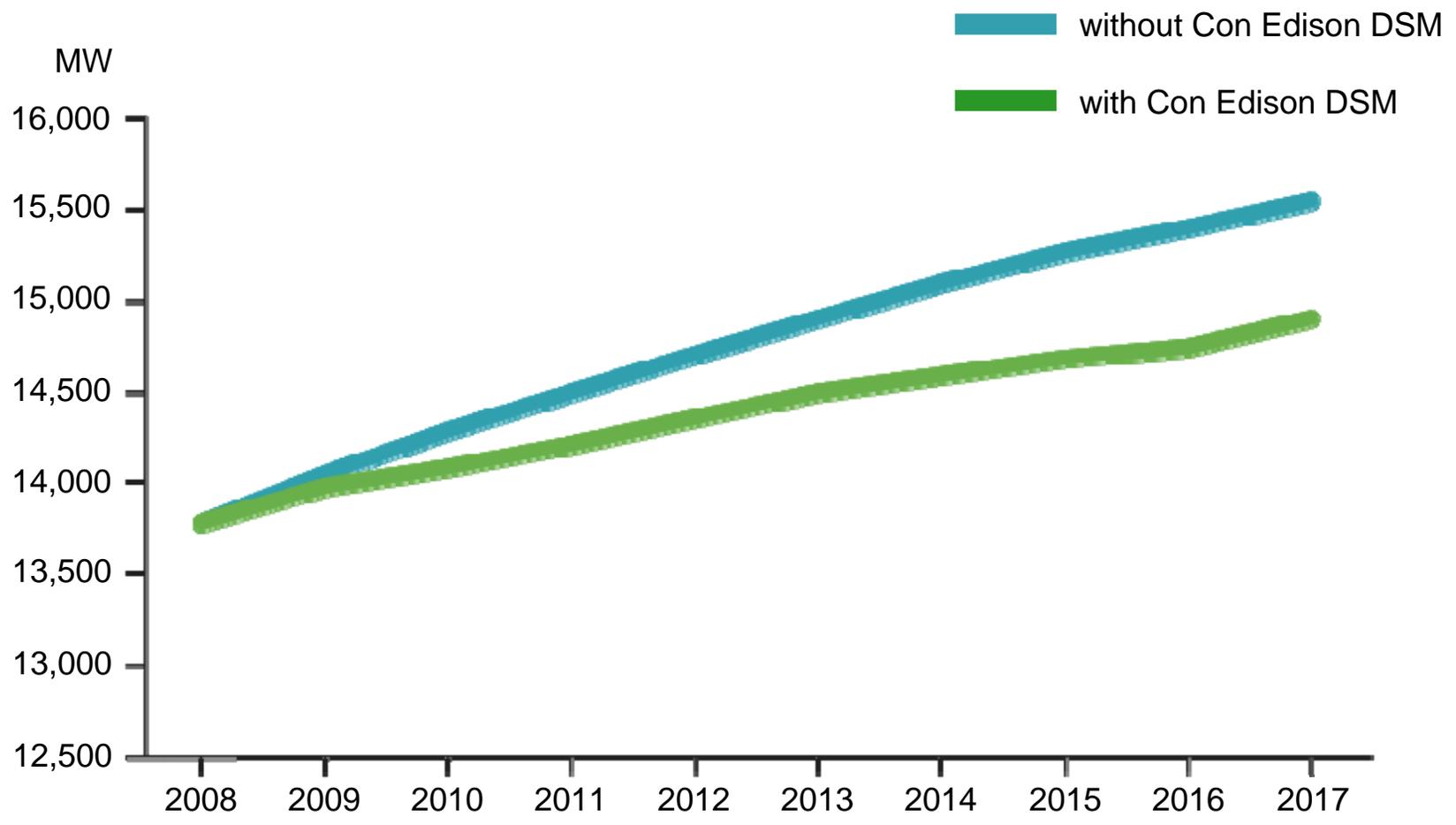


FULTON STREET HUB

Electric Demand Growth 1982-2007



Electric Demand Growth 2008-2017



Major Elements of Rate Filing

- Addressing Electric Demand Growth
- Service Reliability
- Storm Initiatives
- Public Safety Initiatives
- Advanced Technology



Addressing Electric Demand Growth

- Energy Efficiency Programs
- Load Transfers
- Additional Capacity
- Construct New Area Substation
- Construct New Transmission Station

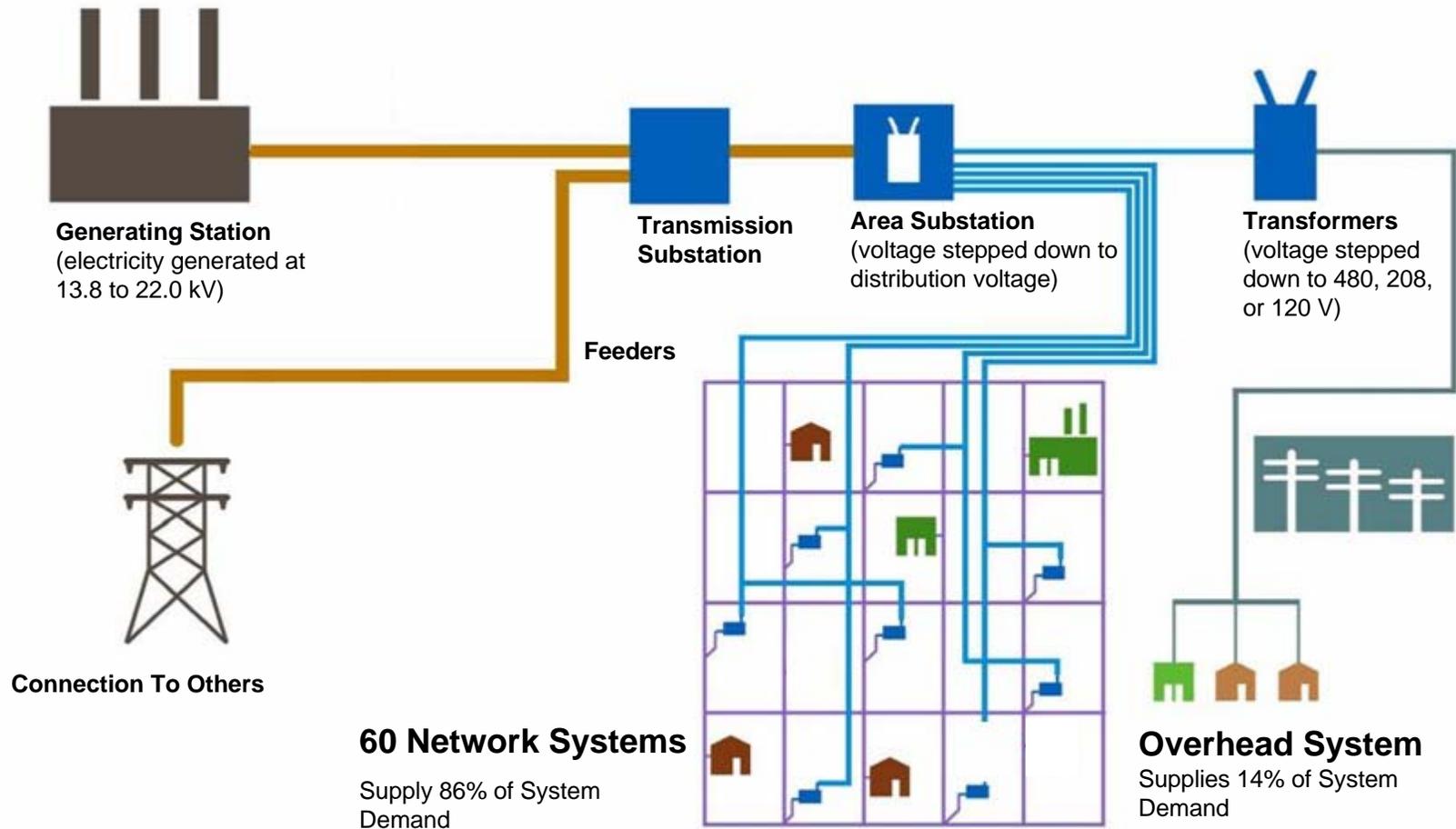


Con Edison Energy Efficiency Programs

- 1971: *Save-A-Watt* program – 200 MW reduction
- 1988 – 1998: *Enlightened Energy* program – 740 MW reduction
- 2004: first RFP for targeted DSM – 42 MW reduction
- 2005: Electric Rate Plan– 150 MW reduction under contract
- 2008: Electric Rate Plan – 30 MW continuation of targeted program
- 2008: Electric Rate Proposal – 108 MW continuation of targeted program
- 2015: Planned 500 MW reduction



Unique System Design



Load Transfers 2008

- 21 MW from Bensonhurst No. 2 to Bensonhurst No. 1 in Brooklyn
- 21 MW from West 110 St. No. 2 to West 110 St. No 1 in Manhattan
- 10 MW from Hell Gate in Bronx to West 110 St No. 1 in Manhattan
- 8 MW from Hell Gate to Bruckner in Bronx
- 4 MW from Mohansic to Buchanan in Westchester



Additional Capacity

- Parkchester Transformer # 4
- Parkchester 3rd Cap Bank
- Woodrow Transformer # 3
- Corona Transformer # 10
- Corona Transformer # 7 Upgrade



2008 New Substations

Parkview Area Substation

- Four Transformers
- 20 MVAR Capacitor Bank
- 120 MW Load Transfer in 2008



Parkview (2008)

Rockview Area Substation

- Three Transformers
- 72 MW Load Transfer in 2008



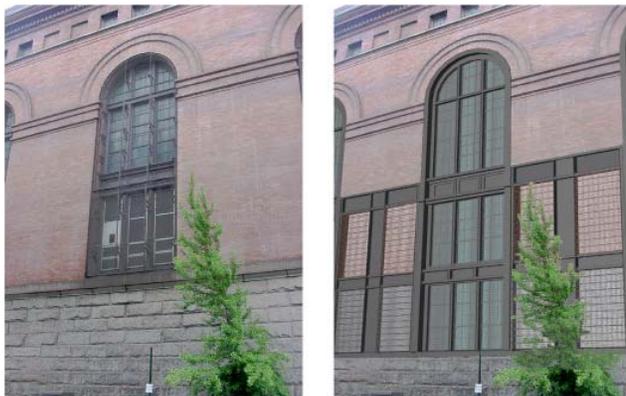
Rockview (2008)

Planned Substations

- Three New Area Substations
- 586 MW Capacity
- Ten Transformers
- 160 MVAR Capacitors



Astor - 2009



York - 2011



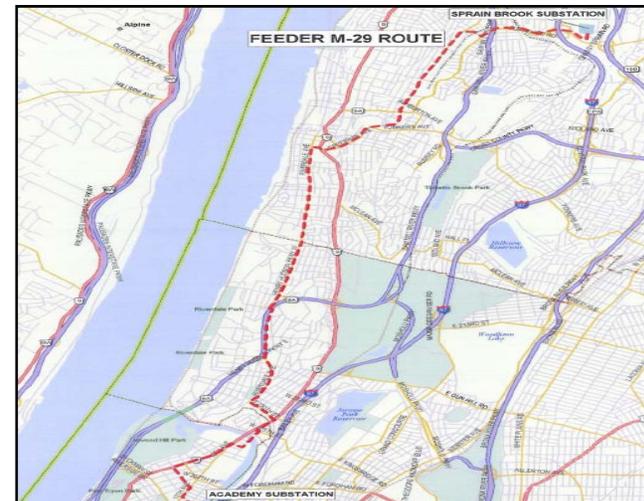
Newtown- 2011

Planned Transmission Station

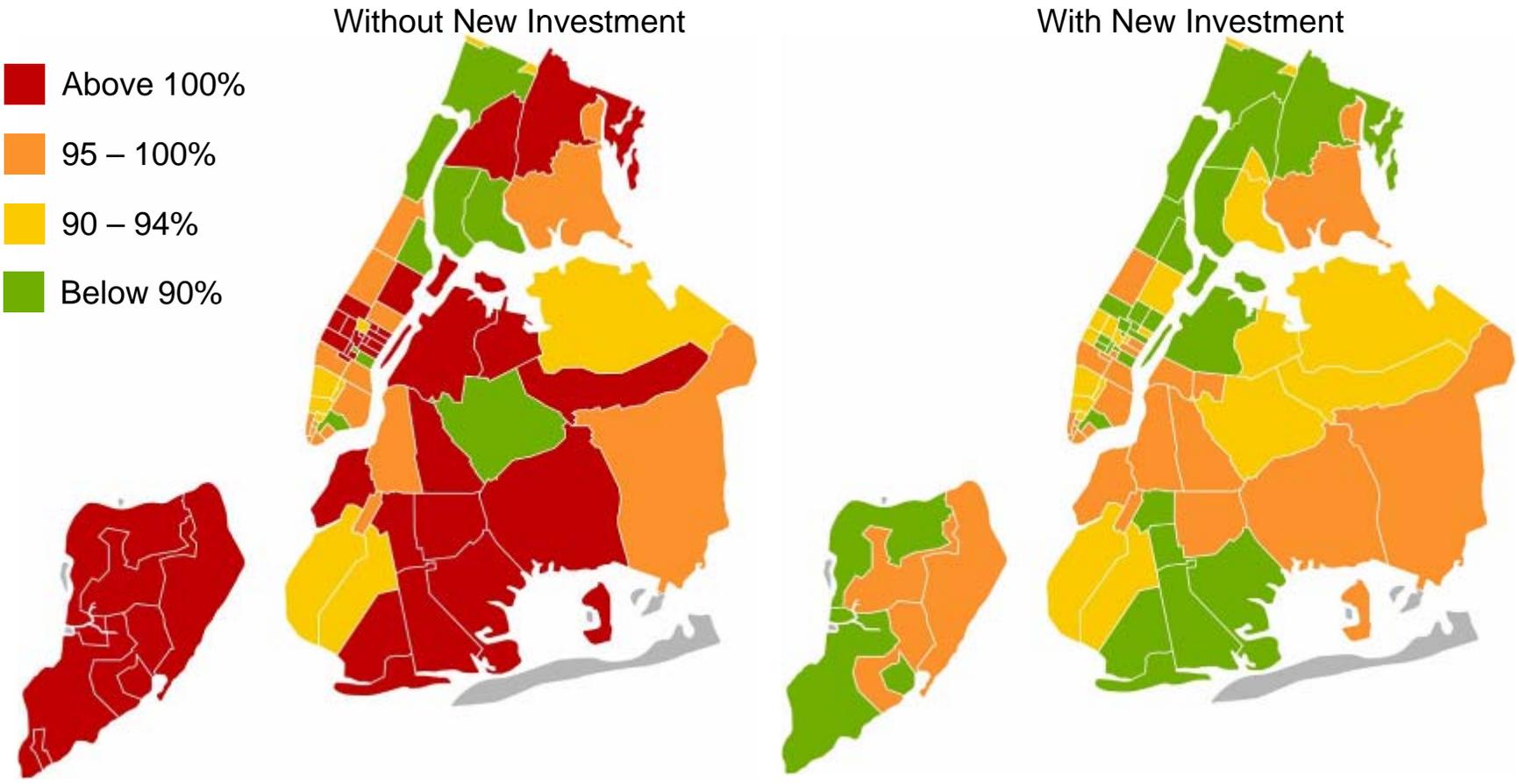
Academy Transmission Station

M-29 Transmission Feeder

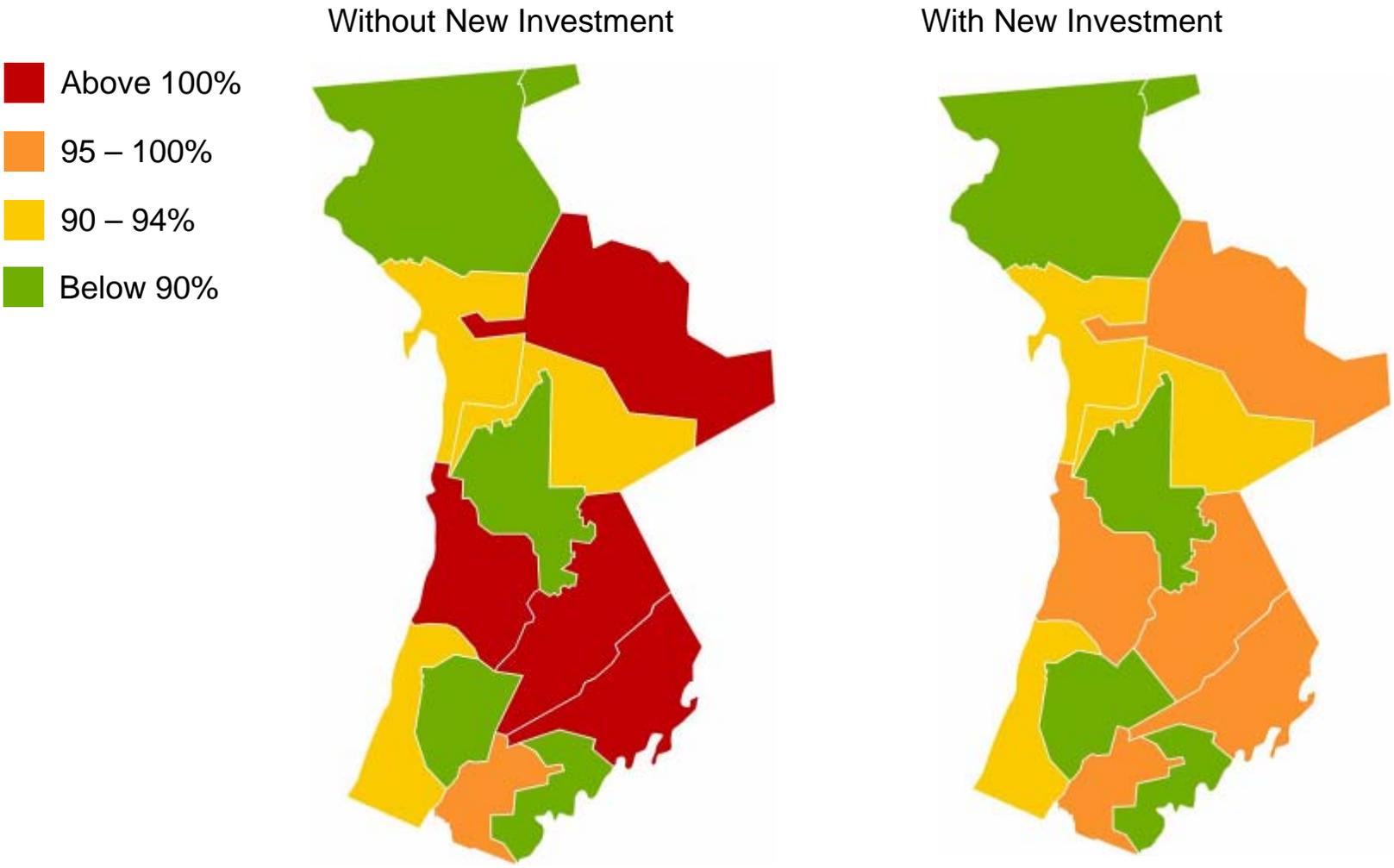
- 9.5-mile, 345-kV line connecting Westchester with upper Manhattan
- Additional 350 MW to New York City's import capability
- Expect to be in service by summer 2011



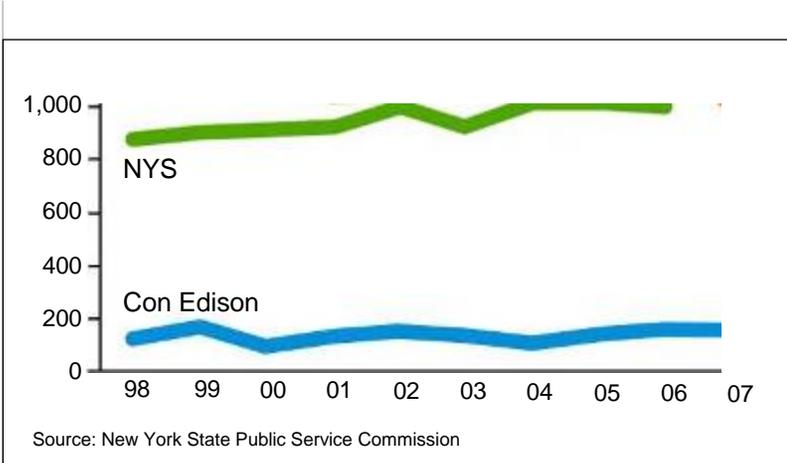
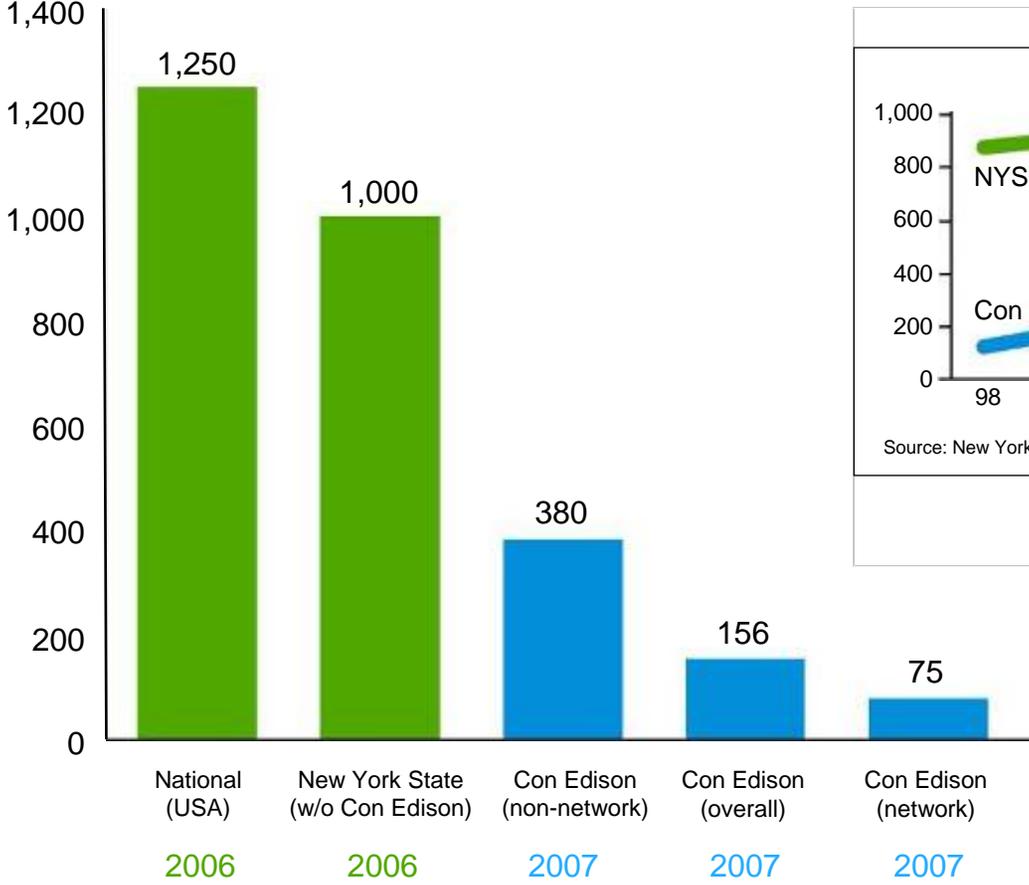
New York City Load Areas - Summer 2017 With Demand Side Management



Westchester Load Areas – Summer 2017 With Demand Side Management



Unparalleled Reliability



Service Reliability

Generation

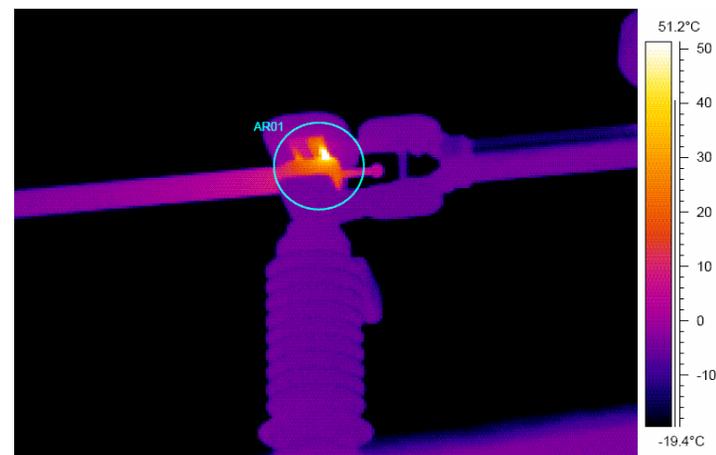
- Overhauls, Maintenance and Testing

Transmission Feeders

- Upgrade Four Feeders
- Facility Upgrades (Structures, Structural Supports and Footings)

Area & Transmission Substations

- Replace Six Transformers
- Infrared Testing
- Inspection and Testing of Transformers
- Replace Circuit Breakers



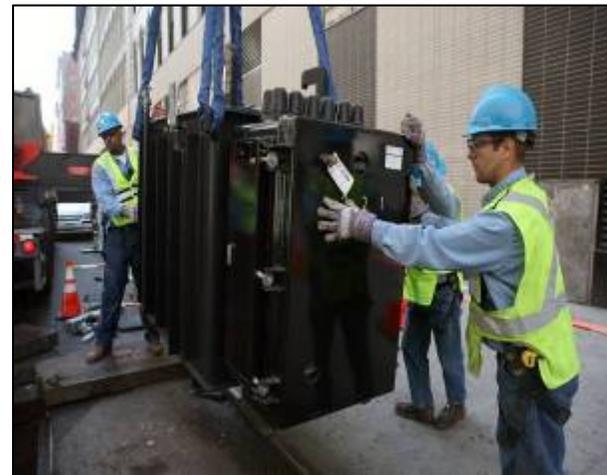
Service Reliability

Distribution Cable

- Replace 3,100 Miles of Primary Cable
- Replace 3,000 Miles of Secondary Cable
- Replace 600 Miles of Overhead Wire
- Inspection & Maintenance Programs

Distribution Transformers

- Replace 4,500 Network Transformers
- Inspection & Maintenance Programs



Storm Initiatives

- Reduce Number of Customers Affected
- Reduce Duration of Customers Affected
- Communicate to Customers & Stakeholders



Public Safety Initiatives

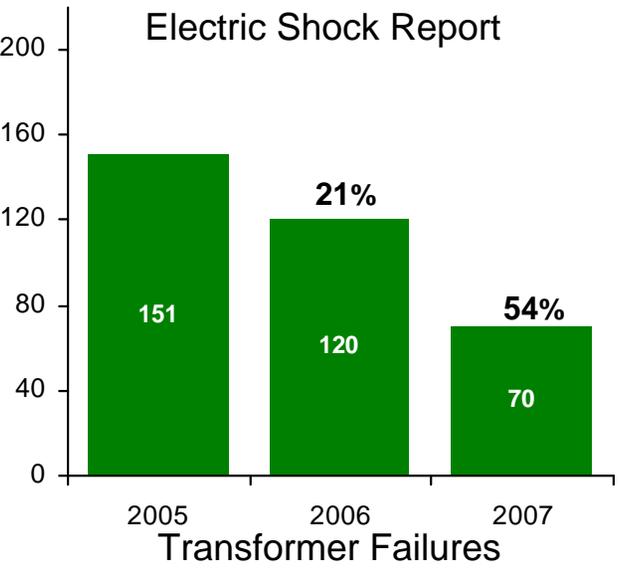
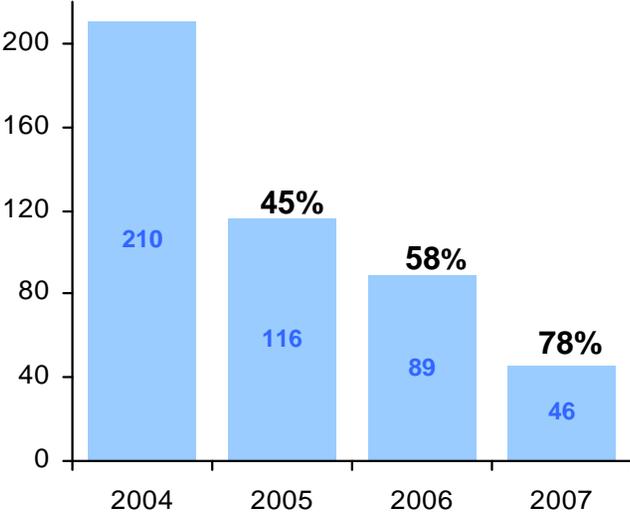


Public Safety Initiatives

- Stray Voltage Detection
- Structure Inspection Program
- Cover Replacement Program
- Streetlight Isolation Transformers
- Improved Cable Design



Public Safety Improvements



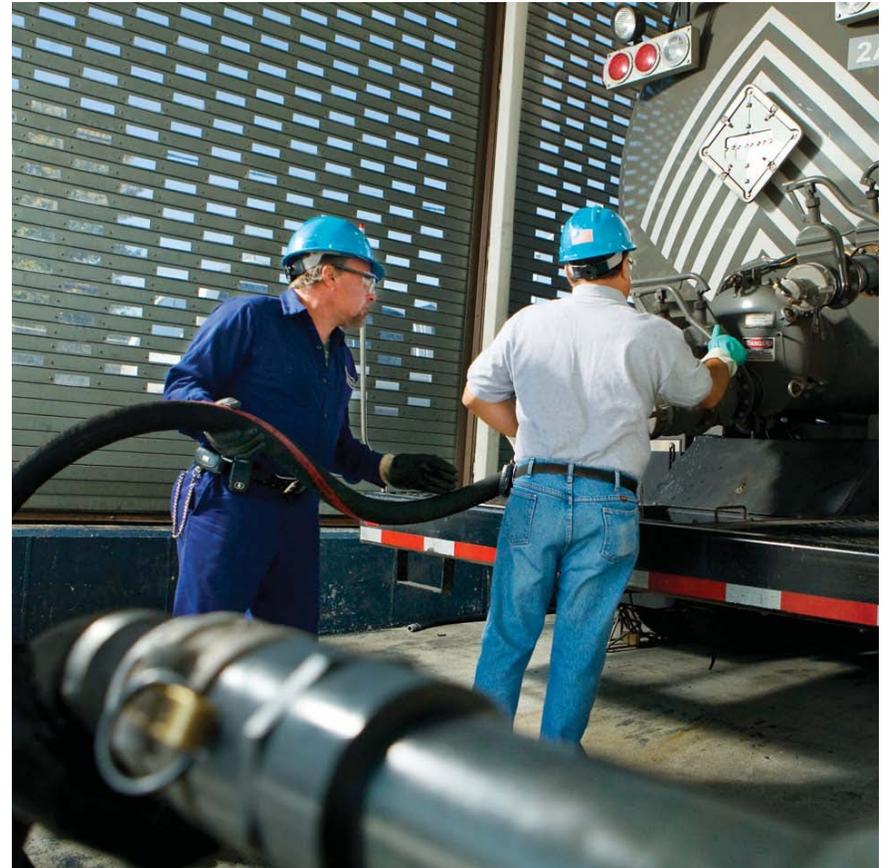
Environmental Stewardship

Prevention

- Energy Efficiency Programs
- Paper Insulated Lead Cable (PILC) Removal Program
- Oil Leak Detection Initiatives

Reduction

- Reducing Carbon Footprint
- Green Fleet



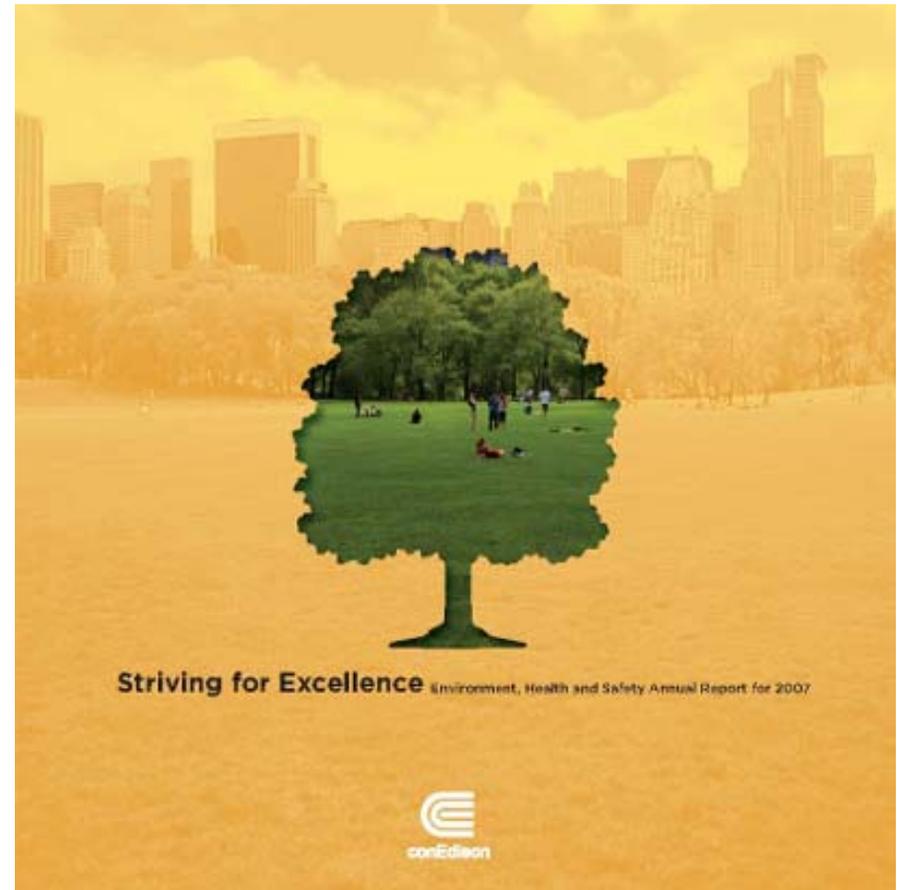
Environmental Stewardship

Remediation

- Brownfield Clean-up Programs
- Manufacturing Gas Plant (MGP) Sites

Awards

- EPA honor, PILC Cable Removal (2008)
- Award for Greatest Improvement in Carbon Efficiency by Large Corporation in the Americas in 2007
- Top US Utility for Climate Governance in 2007
- Ranked Number One in North America for Environmental & Social Performance (2007)



Advanced Technology

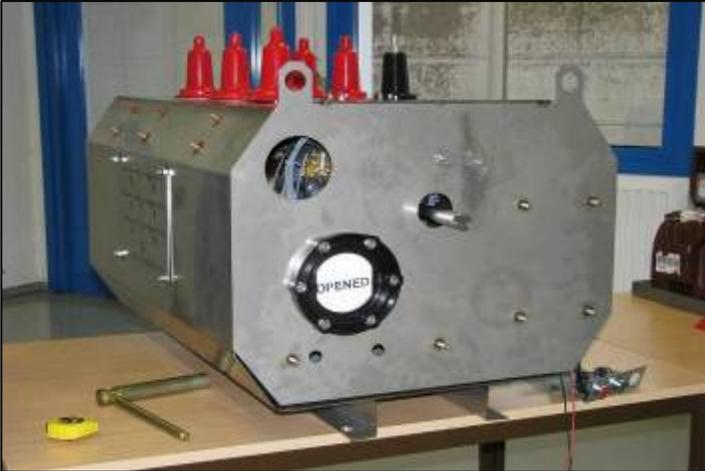


Energy Control Center

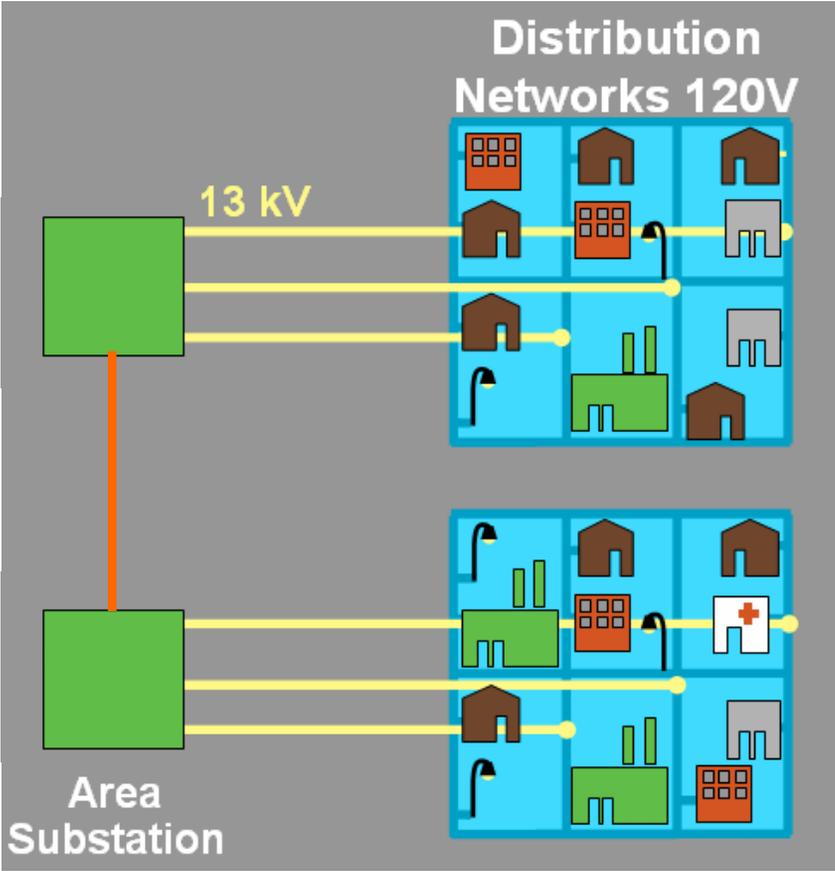
Advanced Technology



Superconducting cable for inter-substation ties



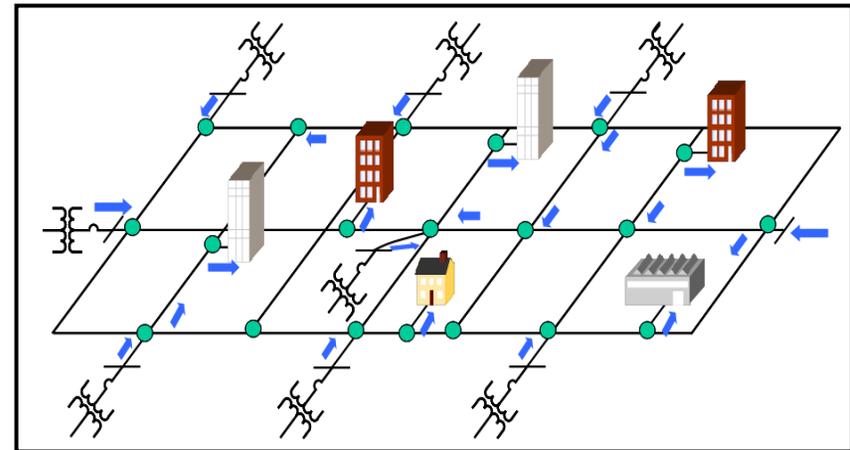
Medium voltage fast switch to transfer distribution load



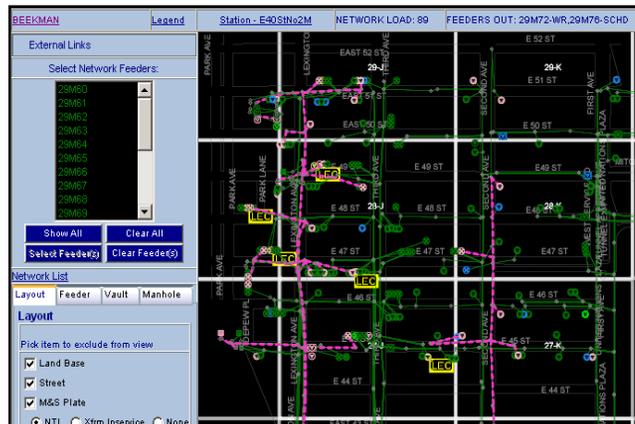
Substation Asset Sharing

Advanced Technology

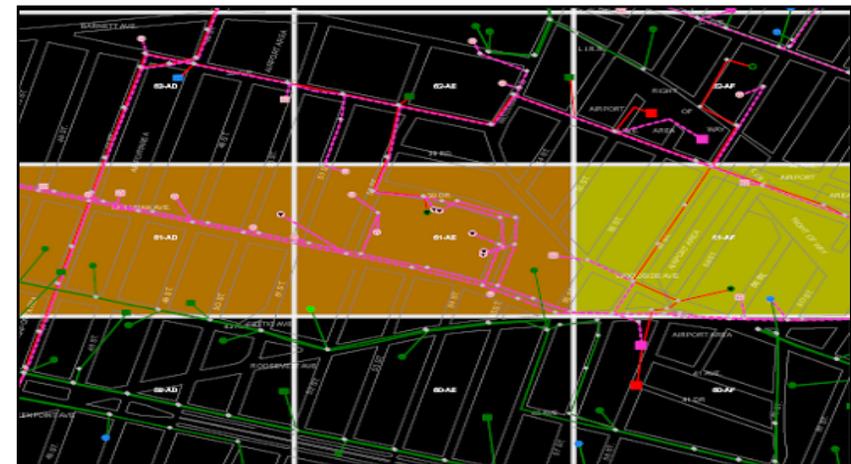
- Network Secondary Modeling & Monitoring
- Advanced Decision Support Tools
- Transformer Remote Monitoring
- Automatic Fault Finding



Network Secondary Modeling & Monitoring

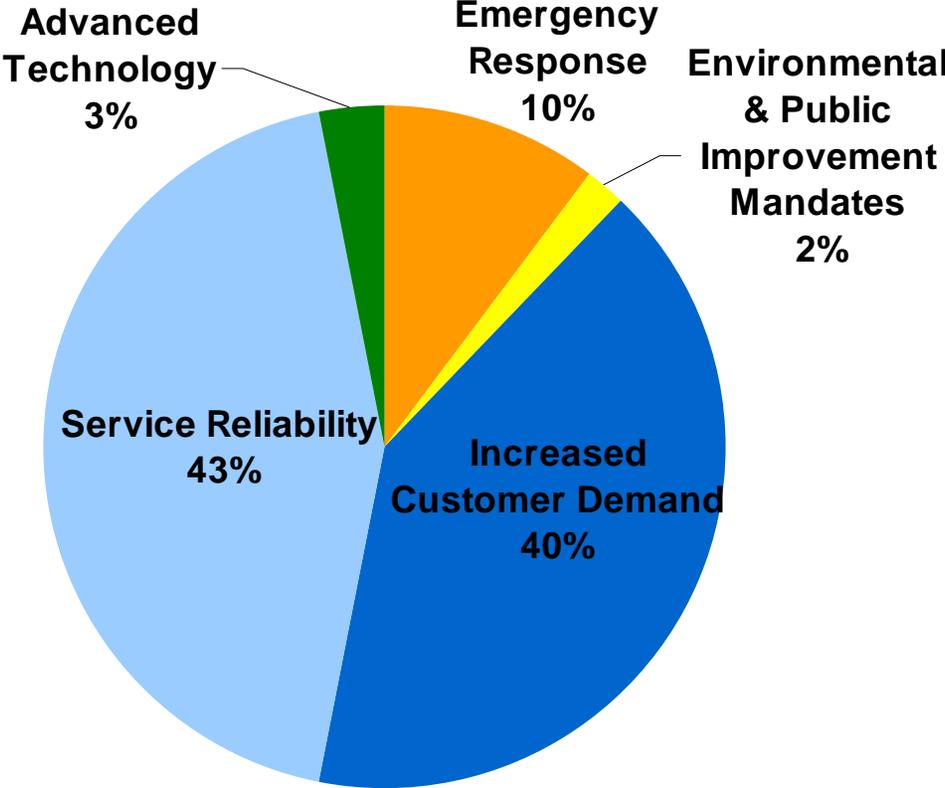


Heads Up Display

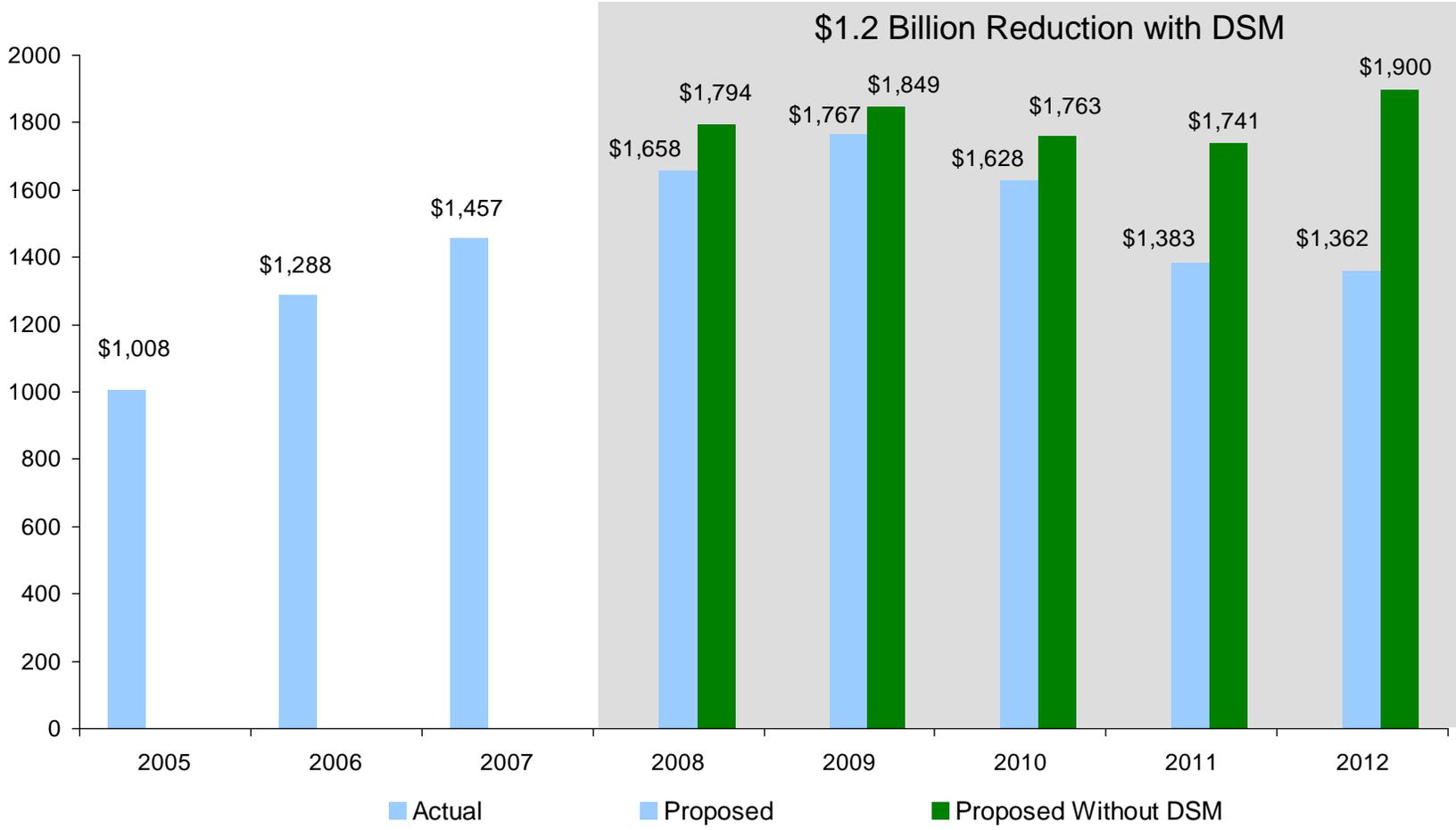


Network Trouble Indicator

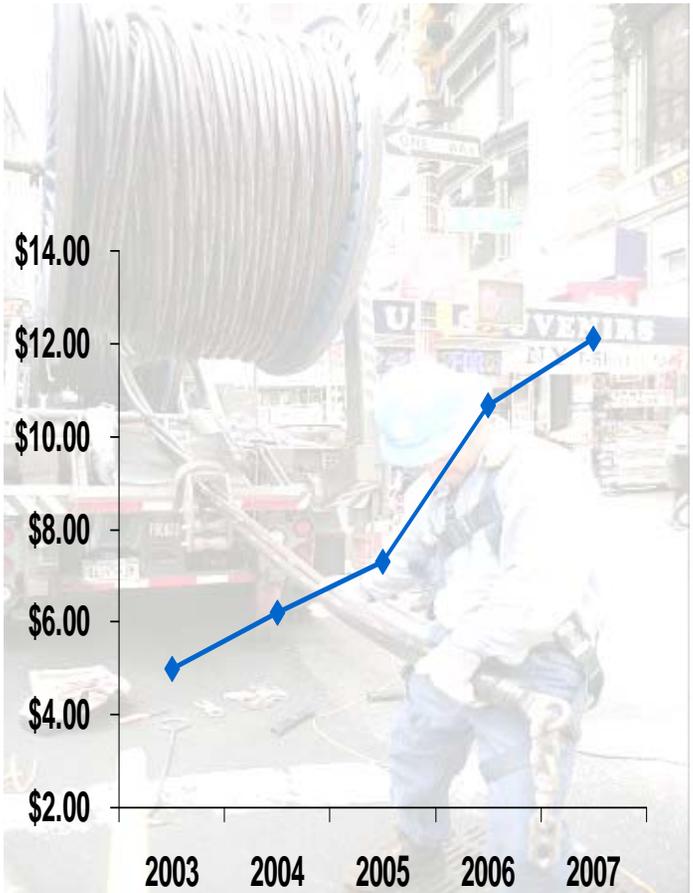
Capital Investment Summary



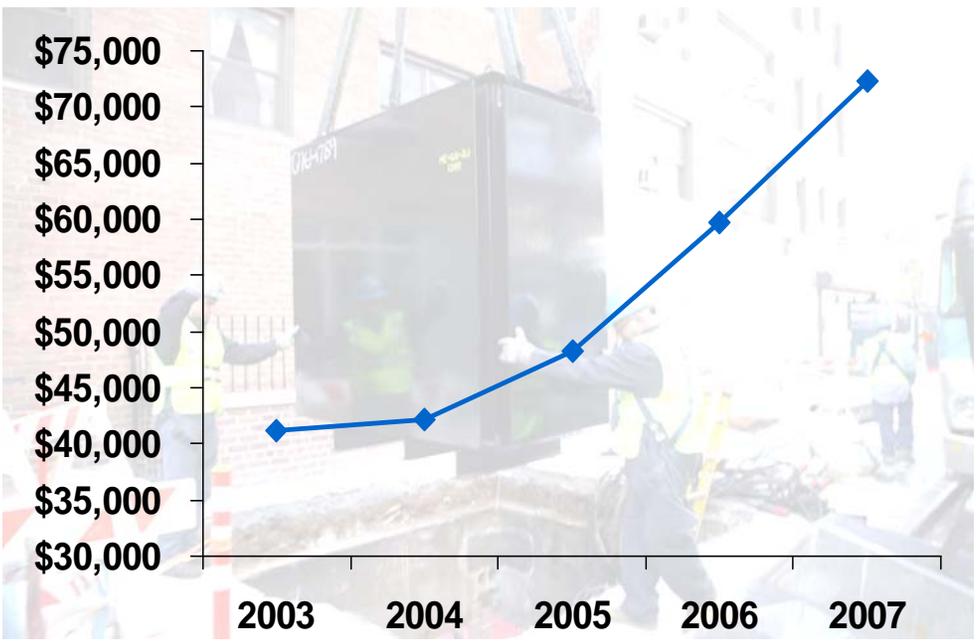
Capital Investment Summary (\$ Millions)



Commodity Prices Impact on Major Equipment



142% Increase in Cable Costs



73% Increase in Transformer Costs

Mitigate Rate Impact on Customers

Demand Side Management

- Defer Seven Substations
- Defer Substation Land Acquisition
- Defer New Transmission Feeders

Extend Length of Programs/Projects

- Coastal Storm
- Rear Lot Pole Elimination
- Distribution Feeder River Crossings
- Transmission Feeders on Queensboro Bridge



Mitigate Rate Impact on Customers

Reduce the Scope

- Elmsford Substation
- Substation Transformer Replacement Program
- Substation Circuit Switches
- Substation DC Test Sets
- Strategic Technology Projects

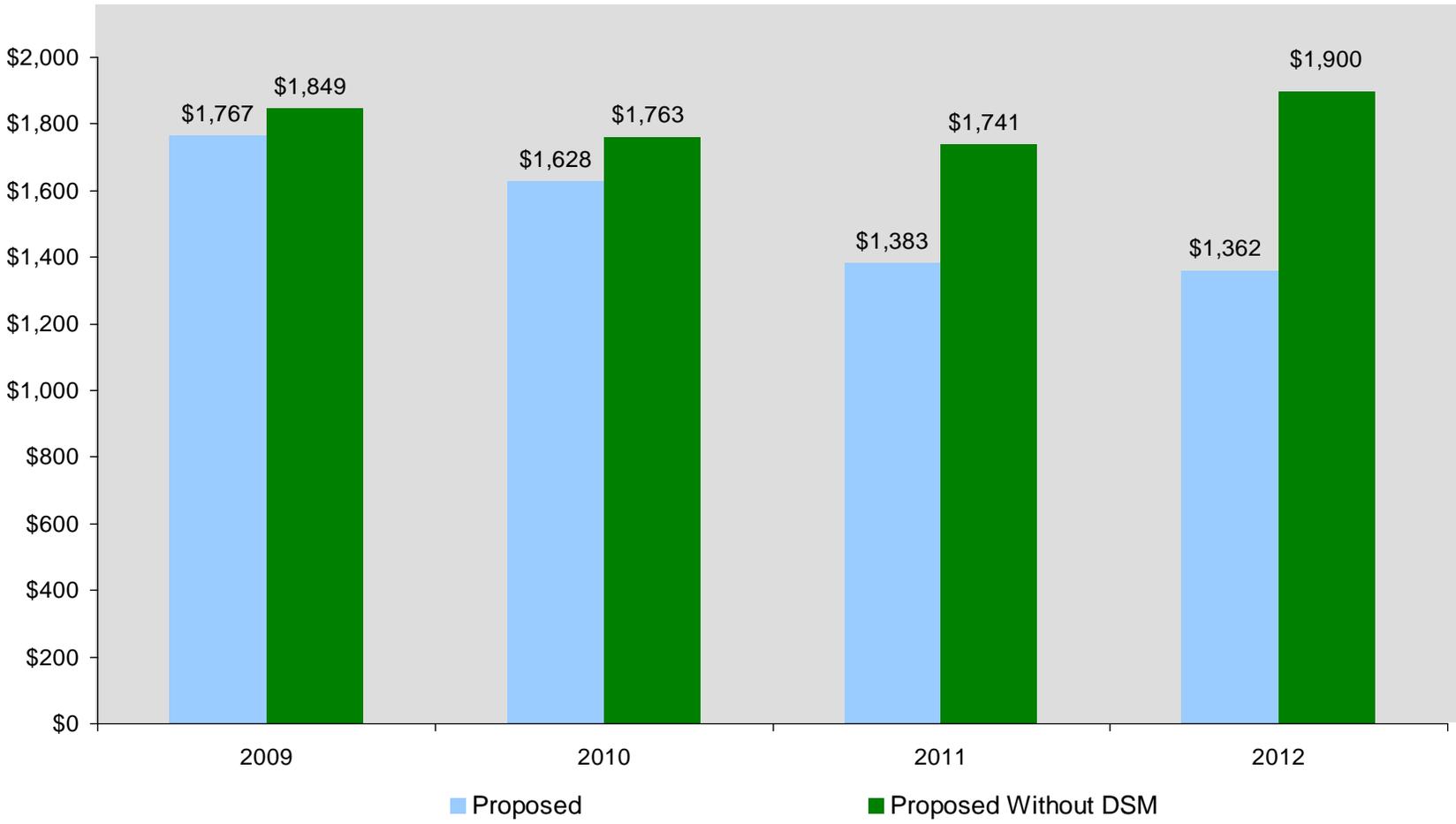


Defer Program/Projects

- Defer West Side
- 138 kV Feeder Dielectric Fluid Detection System

Mitigate Rate Impact on Customers

\$1.2 Billion Reduction



Financial Overview

Discussion Topics

- **Overview**
- **Rate increase before mitigation**
- **Rate mitigation efforts**
- **Rate increases with mitigation**
- **Rate Year 2 & 3 cost drivers**

Overview

- **Filing date – May 9, 2008**
- **Rate request covers one year, includes proposal for a three year rate plan**
- **Filing includes five year revenue requirement forecast**
- **Mitigation efforts integral part of filing**

Rate Increase – w/o Mitigation

\$ millions

Carrying cost of new infrastructure at allowed ROE (9.1%)	\$ 195
Depreciation	<u>55</u>
Total carrying cost of new infrastructure	250
Higher ROE (11.3% vs. 9.1%)	270
Property tax increases	200
Higher operating expenses	165
Three year amortization of deferred charges and credits	165
Amortization of deficiency in depreciation reserve	55
Sales growth	<u>(25)</u>
Electric rate increase, before mitigation	<u>\$1,080</u>
Increase in total bill	<u>9.6%</u>

43

Components of Property Tax Increase

\$ millions

Increase in asset replacement costs 2008/09	\$ 61
Increase in asset replacement costs 2009/10	17
Impact of increase in new plant additions	68
Forecast increase due to tax rate changes	39
Recovery 2008 / 2009 deferral	<u>15</u>
Increase in property taxes	<u>\$200</u>

Operating Expense Increases

\$ millions

Program requests / updates	\$ 54
Variable pay & advertising	38
Inflationary increases -- wages & other	28
Pensions and OPEB costs	29
Municipal infrastructure support	4
Increases above general inflation (insurance)	<u>12</u>
Higher operating expenses	\$ <u>165</u>

45

Deferred Costs and Credits

\$ millions

Recovery deferred T&D carrying costs -- 3 years	\$ 50
Recovery deferred MGP costs -- 3 years	50
Amortize credits from prior case -- 3 vs. 2 years	25
Three-year recovery of WTC cost (\$34 vs. \$14 million/yr)	20
Expired Credits from 07-E-0523 (property tax refunds)	10
Pension and other Items	<u>10</u>
Amortization of deferred costs and credits	\$ <u>165</u>

Rate Mitigation Plan -- In This Proceeding

- Lower requested ROE from 11.3% to 10.0%
- Forgo request for deficiency in depreciation reserve
- Request change of accounting for unbilled revenues – phase in benefits over three years
- Reflect extended amortization period for deferred SIR and T&D carrying costs
- Adopt existing recovery of WTC costs for RY-1
- Accelerate pass back of accounting credits consistent with the Commission's rate order (i.e., 50% of remaining credits in RY-1)
- Eliminate pensions from EB/Cap

Impact of Mitigation on Rate Increase

\$ millions

	<u>RY-1</u>	<u>RY-2</u>	<u>RY-3</u>
Revenue Requirement @ 11.3% ROE	\$1,080	\$ 380	\$440
- Lower requested ROE to 10.0%	(155)	(15)	(20)
- Extend recovery of deferred charges	(151)	87	-
- Forgo depreciation deficiency adjustment	(55)	-	-
- Phase-in unbilled revenue accrual	(45)	23	-
- Earnings base/capitalization adjustment	<u>(20)</u>	<u>-</u>	<u>-</u>
Electric rate increase, after mitigation	<u>\$ 654</u>	<u>\$ 475</u>	<u>\$420</u>

48

Rate Increase Before / After Mitigation

\$ millions

	<u>without</u>	<u>with</u>
Carrying cost of new infrastructure	\$250	\$230
ROE (11.3% vs. 10.0%)	270	115
Property taxes	200	200
Higher operating expenses	165	165
Amortization of deferred charges / (credits)	165	(31)
Recovery of depreciation reserve deficiency	55	--
Sales Growth	<u>(25)</u>	<u>(25)</u>
Electric rate increase	<u>\$1,080</u>	<u>\$654</u>
Increase in total bill	<u>9.6%</u>	<u>5.8%</u>

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RX-2 and RX-3 with Mitigation

\$ millions

	<u>RX-2</u>	<u>RX-3</u>
Carrying cost of new infrastructure	\$170	\$190
Depreciation	<u>35</u>	<u>65</u>
Total carrying cost of new infrastructure	205	255
Property and other taxes	100	110
O&M labor and other escalations	40	40
Pension and OPEBs	35	(15)
Amortization of deferred credits & unbilled	110	-
(Higher) / lower sales revenues	<u>(15)</u>	<u>30</u>
Electric rate increase	<u>\$475</u>	<u>\$420</u>

50

Annual vs. Levelized Rate Increases

\$ millions

	<u>RY-1</u>	<u>RY-2</u>	<u>RY-3</u>
Electric rate increase, after mitigation	<u>\$654</u>	<u>\$475</u>	<u>\$420</u>
- Overall percent increase	5.8%	4.2%	3.7%
- Delivery percent increase	15.4%	11.2%	9.9%
Levelized Three Year Rate Increase	<u>\$556</u>	<u>\$556</u>	<u>\$556</u>
- Overall percent increase	4.9%	4.9%	4.9%
- Delivery percent increase	13.1%	13.1%	13.1%

Rate and Bill Impact Overview

Components of RY 1 Non-Levelized vs. Levelized Rate Increase

		Including GRT (Million \$)	Excluding GRT (Million \$)
Non-Levelized	T&D Increase	\$ 633.9	\$ 617.5
	MAC Increase	\$ 20.2	\$ 19.6
	Total Delivery Increase	\$ 654.1	\$ 637.1
Levelized	T&D Increase	\$ 536.5	\$ 522.6
	MAC Increase	\$ 20.2	\$ 19.6
	Total Delivery Increase	\$ 556.7	\$ 542.2

Revenue Allocation – T&D Related Increase

- Realign T&D Revenues @ Current Rates
- Class T&D Increase = Overall % T&D Increase x Realigned Revenue for Each Class
- Final Class Increase = Class T&D Increase + ECOS Study Indication

Allocation of Non-Levelized Delivery Revenue Increase – Eff. April 1, 2009

	CECONY	NYPA	EDDS	TOTAL
Total T&D Revenue Increase Excl GRT	\$ 526.7	\$ 86.4	\$ 4.4	\$ 617.5
MAC Increase Excl GRT	\$ 19.6	NA	NA	\$ 19.6
Total Delivery Increase Incl GRT	\$ 561.0	\$ 88.7	\$ 4.4	\$ 654.1
% Delivery Increase	14.7 %	22.4 %	17.5 %	15.4 %
% T&D Increase	17.0 %	22.4 %	17.5 %	17.6 %
Total % Bill Increase	5.7 %	6.9 %	4.4 %	5.8 %

Allocation of Levelized Delivery Revenue Increase for RY 1 – Eff. April 1, 2009

	CECONY	NYP&A	EDDS	TOTAL
Total T&D Revenue Increase Excl GRT	\$443.6	\$ 75.4	\$ 3.6	\$ 522.6
MAC Increase Excl GRT	\$ 19.6	NA	NA	\$ 19.6
Total Delivery Increase Incl GRT	\$ 475.5	\$77.4	\$3.8	\$ 556.7
% Delivery Increase	12.4 %	19.5 %	15.0 %	13.1 %
% T&D Increase	14.5 %	19.5 %	15.0 %	15.0 %
Total % Bill Increase	4.8 %	6.0 %	3.8 %	4.9 %

Monthly Bill Impact of Delivery Rate Change Rate Year 1 – Non-Levelized and Levelized Residential S.C. 1 – 300 kWhrs

	Non-Levelized	Levelized
Market Supply (MSC)	\$40.07	
Delivery	\$38.83	
Total	\$78.90	
Delivery Increase	\$6.18	\$5.38
% Delivery Increase	15.9%	13.8%
% Bill Increase	7.8%	6.8%

Monthly Bill Impact of Delivery Rate Change Rate Year 1 – Non-Levelized and Levelized Commercial S.C. 9 – 30 kW, 10,800 kWhrs

	Non-Levelized	Levelized
Market Supply (MSC)	\$1,503	
Delivery	\$835	
Total	\$2,338	
Delivery Increase	\$120	\$101
% Delivery Increase	14.4%	12.1%
% Bill Increase	5.1%	4.3%

Con Edison

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