

STATE OF NEW YORK

# Public Service Commission

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## **NEW 3-YEAR RATE PLAN APPROVED FOR CON EDISON — Increases Spread Out, 1-Time \$36.4M Credit, Other Steps Taken to Reduce Impact —**

New York, NY—03/25/10—The New York State Public Service Commission today voted to adopt a three-year plan that establishes new electric service delivery rates for Consolidated Edison Company of New York, Inc. (Con Edison). To lessen the impact on customers, the plan calls for increases to be spread out over a three-year period. The annual levelized base rate increase would be \$420.4 million, representing an annual increase of 3.6 percent on a system-wide total bill basis.

“We are always concerned about the impact of any rate increase on ratepayers, especially in these extraordinarily difficult economic times,” said Commission Chairman Garry Brown. “The new electric rates that we have approved will provide levelized base rate increases, austerity measures, controls on capital expenditures, and other provisions to reduce economic burdens on hard-pressed consumers. This rate plan is in the public interest and is a testament to the extensive efforts by active parties to address key issues in an equitable and comprehensive manner.”

While the rate plan provides for significant customer benefits, the Commission is also requiring the issuance to all customers of a proportional share of a one-time \$36.4 million credit this summer resulting from the company’s overspending on capital expenditures during a three-year period ending in 2008.

### **The Rate Plan**

On November 24, 2009, Con Edison and Department of Public Service Staff and nine other active parties submitted a Joint Proposal for consideration by the Commission. The multi-year

rate plan under the Joint Proposal substantially reduced the size of the delivery rate increase in comparison with the amounts originally requested by Con Edison.

The three-year rate plan approved by the Commission increases company revenues by \$540.8 million on an annual basis starting on April 1, 2010; an additional \$306.5 million on April 1, 2011; and an additional \$280.2 million on April 1, 2012. To lessen the impact on customers of the first year rate increase, the Commission approved implementation of the rate increases on a levelized basis set at \$420.4 million in each year.

The active parties signing the multi-year rate plan Joint Proposal include: Con Edison, Department staff, the City of New York, the Metropolitan Transportation Authority, the New York Power Authority, the Small Customer Marketer Coalition, the Retail Energy Supply Association, Consumer Power Advocates, the E-Cubed Company, LLC on behalf of the Joint Supporters, Pace Energy and Climate Center, and the New York Energy Consumers Council. Other active parties who participated in the proceedings and who did not oppose the Joint Proposal include the County of Westchester, the New York State Consumer Protection Board, and the Utility Workers Union of America, AFL-CIO, Local 1-2.

Based on the new revenue requirements, a typical monthly New York City residential electric bill for 300 kilowatt hours of electricity usage would increase on average by 4 percent in each year. A typical monthly residential bill in Westchester County for 450 kilowatt hours of electricity usage would increase on average by 4.2 percent in each year.

Additionally, the rate plan's revenue requirement for the company to operate reflects austerity-related cost reductions totaling approximately \$114.9 million over the three-year plan. Of these amounts, \$18.1 million annually is attributable to a reduced level of capital expenditures.

The enhanced low-income program under the rate plan has been expanded to serve a total of 375,000 eligible customers and will include an increased monthly discount of \$8.50 to the customer charge for all eligible participants. The company will also institute a program to waive reconnection fees and establish a collaborative to discuss an arrears forgiveness program.

The rate plan approved by the Commission today establishes an allowed return on equity of 10.15 percent and provides for an earning sharing mechanism for customer sharing of excess company earnings. This mechanism provides sufficient incentive for the company to improve its cost controls and keep expense levels in check, while at the same time capturing some of the benefits of those cost controls for ratepayers during the rate plan term. It is enhanced in the second and third rate years to provide customers more opportunity to share in efficiency gains expected to result from the implementation of recommendations stemming from the comprehensive management audit of the company.

The rate plan continues and strengthens customer service performance and system reliability targets designed to ensure that customers receive high level of service and that outages are minimized to the greatest extent possible. If the targets are not met, the rate plan provides credits to ratepayers of up to approximately \$152 million annually.

The business incentive rate is continued under the rate plan with modifications and expansions that are expected to assist the City of New York and Westchester County in attracting and retaining business and fostering economic growth in the downstate area, especially important in these times of economic recession and high unemployment.

### **Capital Expenditures**

The Commission today also resolved issues and concerns of overspending on capital expenditures as identified in the Commission's 2008 rate order and staff's investigative audit. The company's capital budgeting program processes and procedures during the period 2005-2008 were deemed inadequate and resulted in actual investments that exceeded rate allowances for this period. Going forward, company managers responsible for capital planning and budgeting will have to consider the rate impacts on customers in their development of capital plans and budgets.

To redress the overspend matter, separate and apart from the rate plan, customers will receive a one-time benefit totaling approximately \$36.4 million, and future customer benefits totaling

\$54.7 million, for a total nominal benefit of \$91 million. The \$36.4 million customer benefit was made available now to moderate the revenue requirement increase resulting from the rate plan.

The \$36.4 million will be returned to all Con Edison ratepayers in the form of a one-time credit on customers' August or September bill. All customers can expect a one-time credit reducing their electric bill for that month, for example residential customers will receive a one-time credit of \$5.35. In addition, each customer's bill that contains the one-time credit will include a bill message that states the total amount of credit being reflected and that the credit is being provided in compliance with the Commission's orders.

The Joint Proposal related to Staff's investigation of capital expenditures was signed by Con Edison, Department staff and the New York State Consumer Protection Board.

The Commission will issue a written order relative to today's vote. The order will reflect matters concerning Staff's investigative audit of Con Edison's capital expenditures (Case 07-E-0523), the company's petition for rehearing of the Commission's 2008 Rate Order (Case 08-E-0539), and the company's rates for electric service (Case 09-E-0428). The order, when issued, can be obtained from the Commission's Web site at [www.dps.state.ny.us](http://www.dps.state.ny.us) by entering the applicable case number in the input box labeled "Search for Case/Matter Number." Many libraries offer free Internet access. Documents may also be obtained from the Commission's Files Office, 14<sup>th</sup> floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).