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June 26, 2008

VIA HAND DELIVERY

Hon. Jaclyn Brillig
Secretary
State of New York Public
Service Commission
Three Empire State Plaza, 14th Floor
Albany, New York 12223-1350

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Re: Case 07-S-1315 – Consolidated Edison Company of New York,
Inc. – Steam Rates

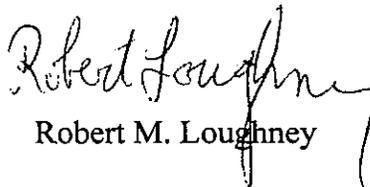
Dear Secretary Brillig:

Please find enclosed an original and five (5) copies of the City of New York's Statement in Support of the Joint Proposal that was filed in the above-captioned proceeding on June 16, 2008. Copies of the aforementioned statement in support are being served on the active parties list via e-mail.

Please have the extra copy of the statement in support time-stamped and returned to our messenger. Please call me if you have any questions.

Very truly yours,

COUCH WHITE, LLP


Robert M. Loughney

RML/SJG:slg

Enclosures

cc: Hon. Michelle Phillips (via hand delivery; w/enc.)
Active Parties (via e-mail; w/enc.)

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**STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

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**Proceeding on Motion of the Commission as to the
Rates, Charges, Rules and Regulations of
Consolidated Edison Company of New York, Inc.
for Steam Service**

Case 07-S-1315

**CITY OF NEW YORK'S STATEMENT IN SUPPORT
OF THE JOINT PROPOSAL**

Dated: June 26, 2008

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PRELIMINARY STATEMENT

The City of New York (the “City”), one of the largest customers on the Consolidated Edison Company of New York, Inc. (“Con Edison” OR “Company”) steam system, hereby submits its Statement in Support with respect to the Joint Proposal that was filed with the State of New York Public Service Commission (“Commission”) on June 16, 2008, in Case 07-S-1315, Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Steam Service.¹ The City is a signatory to the Joint Proposal, and, for the reasons set forth below, urges the Commission to adopt the Joint Proposal, with one exception, described below.²

STATEMENT OF FACTS

Con Edison currently provides steam service pursuant to a Joint Proposal approved by the Commission on September 22, 2006 (“2006 Joint Proposal”).³ The 2006 Joint Proposal expires on September 30, 2008. On November 2, 2007, Con Edison filed new tariff leaves and supporting testimony seeking authorization to increase steam revenues by approximately \$127 million for the rate year October 1, 2008 through September 30, 2009 as

¹ Citations to the Joint Proposal are preceded by the notation “JP.” Citations to the Hearing Transcripts are preceded by the notation “Tr.” Citations to Hearing Exhibits are preceded by the notation “Ex.”

² In signing onto the Joint Proposal, the City reserved its right to request an addition to the provisions of the Joint Proposal addressing the Steam Resource Plan.

³ Case 05-S-1376, Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Steam Service, “Order Determining Revenue Requirement and Rate Design” (issued September 22, 2006).

part of a three-year rate plan. On November 8, 2007, the Commission issued an Order suspending the effective date of Con Edison's rate filing through March 30, 2008. On February 15, 2008, the Commission issued a second order suspending Con Edison's filing through September 30, 2008.

On February 29, 2008, five parties, including the City, filed testimony in response to the Company's original filing. In its testimony, the City focused on the following issues: (1) a change in how negative net salvage is reflected in steam depreciation rates; (2) a more rapid amortization of the remaining gain on the sale of certain First Avenue properties; (3) adjustments to the sales forecast, including inadequate support for the elasticity adjustment claimed by Con Edison; (4) the incentive provision for Con Edison to reduce its line losses; (5) description of two errors in Con Edison's Embedded Cost of Service Study ("ECOS"); (6) proposed interclass allocation of the increase; (7) rate design of the Service Classification No. 2 Demand ("S.C. 2 Demand") class; and (8) analysis of options for a generating station at Hudson Avenue. On March 17, 2008, Con Edison – and no other party – filed rebuttal testimony.

The parties to the proceeding engaged in extensive settlement discussions during April, May and June 2008. The settlement negotiations culminated in the filing of a Joint Proposal on June 16, 2008. The following parties are signatories to the Joint Proposal: Con Edison, New York State Department of Public Service Staff ("Staff"), the City, Consumer Power Advocates ("CPA"), and New York Energy Consumers Council, Inc. ("NYECC"). The Brooklyn Navy Yard participated actively throughout this proceeding, but neither signed nor opposed the Joint Proposal. To date, the only party indicating an intent to

oppose the Joint Proposal is the County of Westchester. In signing the Joint Proposal, the City reserved its right to propose an additional requirement for Section L, Steam Resource Plan, as described below.

If adopted by the Commission, the Joint Proposal would govern Con Edison's steam rates for the two-year period commencing October 1, 2008 and continuing through September 30, 2010. (JP at 4.) For purposes herein, the 12-month period starting October 1, 2008 and ending September 30, 2009 is defined as Rate Year 1 ("RY 1") and the 12-month period starting October 1, 2009 and ending September 30, 2010 is defined as Rate Year 2 ("RY 2"). Pursuant to the Joint Proposal, Con Edison will change its base rates to produce an additional \$53.0 million in revenues on an annual basis in RY 1 and an additional \$24.7 million in revenues on an annual basis in RY 2. (JP at 4.) The Signatory Parties recommend that these two base rate increases be implemented on a levelized basis to mitigate the impact on customers of the RY 1 increase. The levelized annual rate increases would be \$43.7 million in revenues on an annual basis in RY 1 and an additional \$43.7 million in revenues on an annual basis in RY 2.

ARGUMENT

THE JOINT PROPOSAL IS IN THE PUBLIC INTEREST AND SHOULD BE ADOPTED WITH ONE MODIFICATION

In evaluating proposed multi-year rate settlements, the Commission typically considers the following factors:

- (i) the settlement's consistency with law and with the regulatory, economic, social and environmental policies of the

Commission and the State; (ii) whether the result compares favorably with the likely result of full litigation and is within the range of reasonable outcomes; (iii) whether the settlement strikes a fair balance among the interests of ratepayers and investors and the long-term soundness of the utility; (iv) the existence of a rational basis for the decision; (v) the completeness of the record; and (vi) whether the settlement is contested.⁴

The City asserts that these factors have been satisfied and that the Joint Proposal accordingly should be adopted in its entirety with the exception that an additional requirement should be added to Section L, Steam Resource Plan, as described below.

Initially, the compromises embodied in the Joint Proposal are consistent with the law and Commission policies such as safe and reliable service and rate moderation. The Joint Proposal achieves a balance between the need for Con Edison to upgrade its facilities in order to provide safe, reliable service with the need to reduce the rate impact of those efforts.

The results of the Joint Proposal also compare favorably with the likely results of litigation. The parties in this proceeding vigorously contested numerous issues including, *inter alia*, the amount of increase in the steam revenue requirement, the appropriate return on equity that Con Edison should receive, and the steam sales forecast. For example, City witness Harvey Arnett testified that the sales forecast submitted by Con Edison was vulnerable to double counts and rested on several questionable assumptions. (Tr. at 2098.)

⁴ Case 90-M-0255, Proceeding on Motion of the Commission Concerning its Procedures for Settlement and Stipulation Agreements, filed in C 11175, and Case 92-M-0138, In the Matter of the Rules and Regulations of the Public Service Commission Contained in 16 NYCRR, Chapter I, Rules of Procedures – Proposed Amendments to Subchapter A, General, Part 2, Hearings and Rehearings by the Addition of a New Section 2.6. Settlement Procedures, filed in C 11175, Opinion No. 92-2, Opinion, Order and Resolution Adopting Settlement Procedures and Guidelines at 30 (issued March 24, 1992).

Staff's litigated case recommended a \$60 million RY 1 revenue requirement (Ex. 134), or \$66.6 million less than that originally proposed by Con Edison.⁵ The Joint Proposal provides for rate increases that are less than half of what Con Edison requested and, thus, compares favorably with a potential litigated result. The Proposal also strikes a fair balance between customers and utility stakeholders, properly balancing the goal of operating a safe and reliable steam service at the lowest cost while providing a reasonable rate of return to utility shareholders.

In addition, there is an extensive record supporting the Joint Proposal and the record provides a rational basis for concluding that the compromises set forth in the Joint Proposal are justified. As noted earlier, extensive testimony was filed by a number of parties, including many of the parties supporting the Joint Proposal. That testimony advocated diverse positions on a myriad of issues including, *inter alia*, revenue requirement, return on equity and rate design issues. All issues either are resolved, or a process is established for resolving them, in the Joint Proposal. Accordingly, the record supports the recommendations set forth in the Joint Proposal.

Finally, it is noteworthy that the Joint Proposal enjoys broad support among diverse stakeholders representing varied interests. The County of Westchester is the only party expected to oppose the settlement. The County of Westchester does not represent Con Edison steam customers, nor does it currently provide steam to Con Edison, or have a contract to do so in the future. On the other hand, the supporters of the Joint Proposal represent a broad spectrum of Con Edison steam customers and other interests that are

⁵ Subsequent updates increased Con Edison's requested RY 1 revenue requirement to approximately \$130 million.

dependent on the terms of Con Edison's steam tariffs for their business interests. A complete review of the record will confirm that the support for the Joint Proposal overwhelms the anticipated, limited opposition.

For all the reasons set forth herein, the City urges the Commission to adopt the Joint Proposal.

A. The Joint Proposal Balances Increased Funding For Safe and Reliable Steam Service With Measures To Mitigate The Rate Impact

The Joint Proposal balances a needed increase to the Con Edison base rates with a measure to mitigate the impact on customers. Under the implementation plan, to mitigate the customer impact of these rate increases, the Signatory Parties recommend that the two base rate increases be implemented on a levelized basis. (JP at 4.) Under the levelized approach, the annual rate increases would be \$43.7 million in revenues on an annual basis during each of the rate years covered by the Joint Proposal. As noted earlier, in its rate filing in this proceeding, Con Edison sought a net increase in base rates of approximately \$130 million during RY 1 – which represented a 19 percent average increase – and \$22.4 million during RY 2. Thus, the Joint Proposal provides very substantial savings to Con Edison's steam customers.

The Joint Proposal achieves an appropriate balance between the need to mitigate customer impacts and providing the utility with sufficient revenues to provide safe and reliable service. Accordingly, the Joint Proposal is in the public interest and should be approved.

B. Revenue Allocation

The Joint Proposal includes a revenue allocation that establishes a phase-in approach to the revenue surpluses and deficiencies that were identified in the Con Edison ECOS. The revenue allocation reflects the use of a 10 percent tolerance band around the system rate of return, and the Joint Proposal provides that one-half of the deficiencies and surpluses will be eliminated during each Rate Year. (JP at 6.) The revenue allocation method proposed by the Joint Proposal was supported by the testimony of City witness Dr. Alan Rosenberg (Tr. at 2054), was not opposed by any party and reflects the agreement of the Signatory Parties. Accordingly, the proposed revenue allocation should be approved.

C. S.C. 2 Rate II (Demand) Billed Customers

The Joint Proposal provides two modifications to the design of rates for S.C. 2 Demand billed customers, effective October 1, 2008. Specifically, the Joint Proposal will: (1) establish a \$1.50 per Mlb price differential between the initial and second usage block rates, with subsequent decreases to the terminal usage block rate during the Summer Period; and (2) establish a \$0.50 per Mlb price differential between the initial and second usage block rates, with subsequent decreases to the terminal usage block rate during the Winter Peak and Winter Shoulder Periods. (JP at 6-7.) This rate design incorporates elements of a proposal advanced by the City. For example, Dr. Rosenberg testified that the proposed S.C. 2 rate design was not aligned properly with the cost of service. Dr. Rosenberg advanced nine recommendations that were designed to remedy this misalignment, including that the Winter Peak Period and Winter Shoulder usage charges should be equalized. (Tr. at 2054-65.)

The modified S.C. 2 Demand rate embodied in the Joint Proposal reflects a compromise that the City supports because it will more properly align the S.C. 2 Demand rate design with cost of service principles. The Joint Proposal also provides for continued study of the S.C. 2 Demand rate design, with the potential for making additional, cost-of-service based rate changes in the future. (JP at 7-8). Accordingly, the S.C. 2 Demand rate design provisions should be approved.

D. Allocation of East River Repowering Project Costs

During the two-year rate plan, the Joint Proposal proposes to maintain the current allocation of carrying costs (e.g., capital, property taxes, operating and maintenance and fuel) on the East River Repowering Project (“ERRP”) between Con Edison’s Steam and Electric businesses. (JP at 9-10.) Currently, the ERRP carrying charges will be allocated to each service class on the basis of that year’s forecasted sales volumes.⁶

Also, Con Edison will perform a detailed study on the allocation of the ERRP carrying charges between steam and electric. (JP at 10.) Staff and interested parties may provide input on the ERRP study, which is to be filed with the Commission no later than April 30, 2009. Any changes to the allocation of ERRP costs suggested by the ERRP study may not be advanced by Con Edison until its next general steam base rate filing. (JP at 10.) Any party may propose modifications to the ERRP allocation revisions, if any, suggested by Con Edison. (JP at 10.)

⁶ Case 05-S-1376, supra, Joint Proposal (June 2, 2006) at 9-10.

Maintaining the current allocation of ERRP carrying costs is a critical component of the Joint Proposal to the City and is fully supported by the record. The County's argument that the ERRP cost allocation forces Con Edison's electric customers to subsidize its steam customers should be dismissed. The Commission has long-recognized that the value of ERRP to Con Edison's electric customers is greater than the market value of its electric output. For example, in the last steam rate proceeding, the Commission stated that the ERRP "would benefit electric customers by enhancing reliability in the lower Manhattan load pocket, and displacing the First Avenue Properties with their associated economic and environmental costs."⁷ The Commission also recognized that the "substantial benefits" produced by the ERRP include its low level of environmental emissions, and that continued operation of the steam system will enable Con Edison to avoid the cost of constructing electric transmission and distribution system reinforcements that would be necessary to serve the energy loads of steam currently supported by the ERRP.⁸

Rebuttal testimony filed by the Con Edison Resource Planning Panel ("RPP") in this proceeding more fully describes the "substantial benefits" that electric customers receive from the ERRP. According to the RPP, ERRP avoided the need to construct a 138 or 345 kV feeder connection to a neighboring transmission substation in order to serve the East River and East 13th Street load pockets (i.e., the lower Manhattan load pocket). (Tr. at 1743,

⁷ Case 05-S-1376, Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Steam Service, Order Determining Revenue Requirement and Rate Design, at 24 (issued September 22, 2006).

⁸ Case 03-S-1672, Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Steam Service, at 27-28 (issued September 27, 2004).

1746.) The ERRP generating capacity also avoided the need to construct an expensive new peaking unit, and it serves as an “essential component of in-city supply” because of the existing and anticipated capacity constraints and the impending retirement of the Poletti facility in 2010. (Tr. at 1745.) ERRP also provides environmental benefits that are not reflected in the market price of energy at present. For example, the company projected that ERRP would reduce statewide emissions of NO_x by about 3,000 tons per year, and emissions of CO₂ by about 500,000 tons per year. (Tr. at 1751.) ERRP also reduced the level of particulate emissions, thereby providing public health and societal benefits. (Tr. at 1752.)

The record evidence fully supports maintaining the current ERRP cost allocation method during the settlement period while a study is performed. The ERRP provisions represent a carefully negotiated and phrased agreement among the Signatory Parties. Importantly, the City likely would not have signed the Joint Proposal if the current allocation method had been changed. Accordingly, provisions of the Joint Proposal addressing the allocation of ERRP costs should be approved.

E. Computation and Disposition of Earnings

The Joint Proposal also establishes the formula to be used in computing the disposition of Con Edison’s excess earnings. Pursuant to the Joint Proposal, in general, if in any Rate Year Con Edison’s common equity return exceeds 10.1 percent, the amount above this earnings threshold would be shared between customers and the Company. (JP at 10.) Shared earnings above the earnings threshold will be split equally between customers and Con Edison, with one-half of the revenue equivalent of any such shared earnings deferred for

the benefit of customers and the remaining one-half retained by Con Edison. (JP at 10.) Because the sharing formula provided in the Joint Proposal is an equitable mechanism to divide excess earnings between customers and shareholders of Con Edison, it should be approved.

F. Depreciation Rates and Reserves

The Joint Proposal proposes to mitigate the rate increase by terminating the five-year amortization of the reserve deficiency established by the 2006 Joint Proposal. (JP at 19.) This provision does not bar Con Edison from seeking to reinstitute such amortization in the future. (JP at 19.) Further, the depreciation rates set forth in Appendix E reflect those currently in place rather than the higher rates that the utility had been supporting. The proposed depreciation changes mitigate the impact of the base rate increases otherwise resulting from the Joint Proposal.

In its direct case, City witness Harvey Arnett testified that the Company's method of calculating and recognizing negative net salvage values for depreciable assets was detrimental to customers and should be modified. (Tr. at 2077-91.) The City is willing to accept the other changes to depreciation that are included in the Joint Proposal as a compromise, for RY 1 and RY 2, of its position on the appropriate negative net salvage methodology. Accordingly, the depreciation rates and reserves set forth in the Joint Proposal should be approved.

G. Steam Business Development and Retention

The Joint Proposal addresses the importance of maintaining the steam customer base, rate stability and infrastructure integrity through steam business development and retention. The Commission recognized in Case 03-S-1672 the need for a comprehensive approach to ensuring the future economic viability of the steam business, and approved a Steam Business Development Plan in December, 2005.⁹

In the Joint Proposal, the signatory parties have established three clear business development and retention goals that Con Edison must achieve. First, steam business development personnel from Con Edison (“SBD”) must meet with and/or contact specific industry representatives at least twelve times per month. A failure of the SBD representatives, collectively, to conduct at least 175 meetings or contacts per year will trigger a revenue adjustment in the amount of \$2,000 per meeting/contact that did not occur. (JP at 21.) Con Edison will file with the Commission no later than September 30, 2009 a report that describes these meetings/contacts and presents an action plan for addressing major issues raised during the meetings/contacts. (JP at 21-22.)

Second, Con Edison will conduct a series of focus groups with its customers to identify concerns and issues regarding Con Edison steam service. The Joint Proposal also requires Con Edison to prepare a qualitative report discussing the issues and concerns raised during the focus groups, which report will be provided to interested parties by June 30 of

⁹ Case 03-S-1672, Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Steam Service, Order on Consolidated Edison Company of New York, Inc.’s Steam Business Development Plan (issued December 5, 2005).

each Rate Year. (JP at 22.) Finally, Con Edison will conduct two customer satisfaction surveys per year. The Company will be subject to a \$50,000 revenue adjustment during each Rate Year if it fails to conduct the requisite studies or to submit a report that summarizes and identifies the key issues arising from the surveys.

The future viability of the Con Edison steam business is dependent on finding new ways to expand the steam customer base and to retain existing customers. Accordingly, the steam business development and retention plan should be approved.

H. Thermal Efficiency/Losses

The Joint Proposal establishes a procedure to select an independent consultant to review thermal efficiency studies performed by Con Edison since 1995 and to develop an action plan to prioritize, implement and maintain economic projects for reducing overall steam losses. This section also establishes a procedure for Staff and interested parties to participate substantively in this process, and to submit the matter to the Commission for resolution when Con Edison, Staff and the parties cannot reach agreement. (JP at 24.) Also, any action plan developed by the consultant will be provided to interested parties to this proceeding.

Reducing line losses and improving efficiencies will redound directly to the benefit of steam customers by reducing rates. In its direct case, City witness Dr. Alan Rosenberg testified that the forecasted level of the line losses cost consumers over \$51 million. (Tr. at 2042.) Because of this, he recommended several changes to the line loss incentive mechanism to prompt Con Edison to reduce its line losses (Tr. at 2043.) For

purposes of settlement, the City supports the line loss compromise included in the Joint Proposal as a means of identifying ways for Con Edison to reduce steam line losses. Accordingly, the plan to address thermal efficiency/losses should be approved.

I. Steam Energy Efficiency

The Joint Proposal requires, for the first time, that Con Edison institute a steam energy efficiency program. (JP at 24.) Specifically, the Joint Proposal requires that, within 60 days of approval of the Joint Proposal, Con Edison will convene a collaborative process designed to develop programs and appropriate incentives to take effect in RY 2. (JP at 24.) Also, Con Edison must file a report on the results of the steam efficiency collaborative by April 15, 2009, and the Joint Proposal provides that interested parties will have the right to comment thereon. (JP at 24.) Because the proposal to develop a steam energy efficiency plan furthers the State and New York City goals of promoting energy efficiency, it should be approved.

J. Steam Resource Plan

The Joint Proposal establishes the next steps to be taken in developing the Con Edison Steam Resource Plan (“SRP”) that was filed with the Commission on October 26, 2007, in accordance with the terms of the 2006 Joint Proposal. (JP at 28.) Specifically, the Joint Proposal provides that Con Edison will complete the ongoing investment grade study of a cogeneration plant (the “Cogeneration Study”), of up to 500 MW, at the Hudson Avenue Station. Also, the Joint Proposal requires Con Edison to file a supplement to the SRP

(“Supplement”) with the Commission no later than December 31, 2008. (JP at 29.) Updated fuel and energy price forecasts and the results of the Cogeneration Study will be included in the Supplement, and consideration will be given to various other cogeneration plant designs. Finally, the Joint Proposal asks the Commission to establish a procedure for Staff and interested parties to file comments on the Supplement. (JP at 29.)

According to the Joint Proposal, Con Edison will include cost-effectiveness as a primary consideration when selecting an option for Hudson Avenue. This is an important point for the City. The future of the Con Edison steam system is tied to identifying the optimal, most cost-effective option for Hudson Avenue. Accordingly, the City generally supports the Joint Proposal provisions that require the Company to update and supplement prior studies addressing the Hudson Avenue site.

Although the City generally supports the Joint Proposal, it hereby requests an addition to it. Specifically, the City requests that Section L of the Joint Proposal regarding the SRP should include a requirement for Con Edison to issue a Request for Proposals (“RFP”) to ascertain whether there is third-party developer interest in developing a large cogeneration facility at Hudson Yards. Importantly, Con Edison would not be obligated to implement a proposal received in response to the RFP. However, the Company should be obligated to consider any RFP responses on an equal footing with, and under the same criteria that will be applied to, other options arising from the Cogeneration Study and the Supplement.

An RFP to solicit third-party proposals for a cogeneration facility offers substantial potential benefits. For example, the RFP will enable Con Edison to determine

whether a third-party can satisfy the Company's steam requirements at a lower price. In order to protect steam customers, the Company should be obligated to seek to identify any alternative that reasonably could be expected to yield better quality or cost of service. An RFP will ensure that third-party alternatives at least are identified. Also, an RFP will inject competition into the development of a cogeneration facility, which also may lower the cost of construction or operation, or both. Finally, soliciting proposals from other parties may yield an alternative that the Company had not considered.

Importantly, the City is not advocating for Con Edison to be bound by the results of an RFP. Rather, the RFP should be conducted to explore potential ratepayer benefits. The costs and administrative burden of issuing an RFP are relatively low, whereas the potential public benefits from a competitive third-party proposal could be sustained.

In its direct testimony and under cross-examination in this proceeding, the Resource Planning Panel ("RPP") stated that a primary reason for Con Edison's opposition to issuing an RFP is a concern that a third-party developer might hold market power on the steam system. (Tr. at 1778-79.) This concern, however, is unavailing. First, the Company could design a solicitation with terms requiring a long-term contract at fixed prices, and with additional terms and conditions to address potential market power issues. Indeed, on information and belief, Con Edison currently purchases steam from the Brooklyn Navy Yard under a long-term contract and without abuses of market power by that third-party provider. Second, the RPP pointed to a steam production option study from several years ago that failed to generate a fruitful supplier response, and stated that it does not believe that the response to an RFP issued now would be more productive. (Tr. at 1783.) However, the RPP

was forced to concede that the electric and steam markets have changed materially since the prior steam production options study, and that the changes might yield different responses. (Tr. at 1783.) Thus, the RPP's assertion that responses to an RFP would not yield any additional value is not sustainable. Importantly, the results of an RFP must be reviewed, not assumed, in order to determine whether a third-party solution could fulfill the various terms and conditions that Con Edison would require.

The RPP also cites a determination by the New York Independent System Operator, Inc. ("NYISO") that there is no need for electricity capacity in support of its decision against issuing an RFP. (Tr. at 1779) The RPP appears to indicate that it will not build an electric generation facility unless the NYISO determines that a need for regulatory backstop solutions exists. (Tr. at 1776-77.) However, the RPP failed to explain adequately why it must await a determination by the NYISO if the company concludes that a cogeneration facility constitutes the best solution for its electric and steam systems.

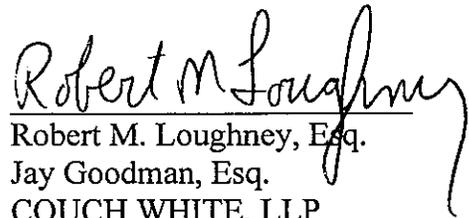
The Steam Resource Plan is a fundamental building block for a viable steam system, and the Plan would be strengthened by consideration of all viable options. Accordingly, the Steam Resource Plan should be approved, subject to the inclusion of an RFP process, as described above.

CONCLUSION

For all the reasons set forth herein, the Commission should approve the Joint Proposal with the one exception noted above.

Dated: June 26, 2008
Albany, New York

Respectfully submitted,



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