Winter Commodity Price Increases/Utility Bill Issues

2021-2022 Winter Season
Winter Preparedness Report

October Session - Staff Reported on Utilities’ Preparations

- For this winter, the utilities had entered into contracts for the commodity at significantly higher prices than last year
- Commodity increases were evident in both storage gas, hedged gas and flowing gas but final flowing prices would depend on winter weather
- Winter heating bills were expected to increase by 21%
- Forecast prices had increased but were still much lower than price spikes that occurred in the 2008 gas market
- Electric supply bills were expected to increase by 13% mainly due to gas supply price expectations
December – March Bills and Drivers

- Significantly Higher Commodity Prices
  - Global increase in natural gas demand
  - High domestic use due to weather
  - Increased economic activity
  - Electric commodity prices impacted by flowing gas
### December – March Bills and Drivers

#### Typical Full-Service Residential Bills

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<th>Dec</th>
<th>Jan</th>
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Utility Bill Components

- **Delivery**
  - Controlled by Public Service Commission/Utilities
  - Delivery Rate Cases / other proceedings

- **Commodity**
  - Market based / not directly controlled by the Public Service Commission/Utilities
  - Electric utility hedging to protect full-service mass market customers against large market price swings
Full-Service Bill Composition
Con Edison Full Service Residential
(300kWh NYC bill)

January
- Supply: $56.96, 66%
- Delivery: $20.42, 24%
- Surcharges: $7.06, 8%
- Tax: $1.50, 2%

February
- Supply: $59.61, 46%
- Delivery: $9.97, 8%
- Surcharges: $9.97, 8%
- Tax: $1.50, 1%
Electric Utility Revenue Components
Consolidated Edison RY3

Return on Equity, $1.01B, 9%
Depreciation & Amortization, $1.3B, 12%
Income Taxes, $.19B, 2%
Property Taxes, $1.82B, 17%
Other Taxes, $.31B, 3%
Labor & Related, $.8B, 8%
Commodity - Above RC Forecast, $1.1B, 10%
Commodity - RC Forecast, $2.7B, 25%
Cost of Debt, $.57B, 5%
Other Taxes, $.31B, 3%
All Other O&M, $.93B, 9%

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Pursuant to Commission Orders

- Utilities hedge to minimize significant unanticipated market price swings
- Utilities on average portfolios consist of 70% fixed price hedges on average in winter
- This is up from ~55% during 2014 polar vortex
Utility Hedging Practices con.

NYISO Spot Market vs. Utility Full Service Residential Customer Supply Portfolio Volatility (Statewide 12-month rolling average)
Con Edison Supply Mechanism

- Timing Issue – Market Cost vs Hedge Value
  - Billing cycle specific market supply charge
    - Based on NYISO DA hourly prices and class load shapes
  - Fixed hedge cost/benefit
    - Based on forecast month cost or savings, inclusive of prior period reconciliations
  - Con Edison’s hedges saved full-service mass market customers over $120 million compared to if they were just subject to NYISO pricing – However timing of the credits did not mitigate when needed
Department Actions

- Letters to Con Edison/filing
  - Feb 11, 2022 – Chair letter to Con Edison
  - Feb 25, 2022 – Con Edison reply
  - Mar 14, 2022 – Con Edison Filing
  - Staff will continue to review the hedging practices