

STATE OF NEW YORK

Public Service Commission

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PSC Approves Rate Plan for Con Edison Gas Delivery Service -Rate Plan Includes a Revenue Decoupling Mechanism-

Albany, NY—9/19/07—The New York State Public Service Commission (Commission) today approved a levelized, three-year plan establishing rates for Consolidated Edison Company of New York, Inc.'s (Con Edison) gas delivery service for the period October 1, 2007 through September 30, 2010.

“There was a lot a hard work by the parties with varying interests in developing a rate plan intended to strike a balance between customers and investors and the long-term viability of the utility,” said Commission Chairwoman Patricia Acampora. “However, the Commission was very concerned about the rate increases as proposed and the subsequent bill impacts. Therefore, the Commission opted to levelize or smooth out the bill impacts for customers by adjusting the timing and amount of the rate increases.”

In its November 2, 2006 filing, Con Edison requested an increase in its annual gas revenue requirement by \$196.7 million for the period ending September 30, 2008. The company also included a three-year rate plan that would increase rates by an additional \$39.1 million in year two and another \$49.1 million in year three. Settlement negotiations were commenced on March 7, 2007, and continued throughout April and May. A Joint Proposal was filed on June 1, 2007. An evidentiary hearing for interested parties was held on July 10, 2007 in New York City. Public statement hearings for public comment on the Joint Proposal were held in Westchester on July 9 and in mid-town Manhattan on July 10.

Rates and Revenue Requirement

Under the terms of the Levelized Joint Proposal, the rate level provisions include rate increases of \$67.5 million (an average annual increase of 10.2 percent) for the three consecutive years. The first year increase is comprised of a \$36.3 million (6.0 percent) increase in base rates, a \$14.0 million (2.3 percent) surcharge for Con Edison's energy efficiency program, and a \$17.0 million (2.9 percent) increase in commodity costs due to the transfer of certain costs from delivery rates to Con Edison's commodity rates. The \$67.5 million rate increases for the second and third years of the rate plan are entirely for delivery costs.

Return on Equity

Under the rate plan, the Commission would require Con Edison to annually submit its computation of return on common equity (ROE) for the preceding year. If the level of earnings exceeds 10.7 percent the amount in excess will be shared by deferring 50 percent for the benefit of customers and allowing the balance to be retained by the company.

Revenue Decoupling Mechanism and Efficient Use of Energy

A transitional, one-year revenue decoupling mechanism (RDM) and energy efficiency programs delivered by the New York State Energy Research and Development Authority (NYSERDA) are provided for under the rate plan. For rate years two and three, the rate plan includes a collaborative process, beginning no later than November 1, 2007, to develop recommended Gas Energy Efficiency Program for years two and three and to evaluate and recommend the design and conditions of an RDM for the last two years of the rate plan.

The RDM is considered by the Commission to be a primary tool in advancing the efficiency with which the State uses energy. Con Edison's RDM is the first to be instituted in the State since the early 1990's. The RDM is intended to remove a disincentive for the company to invest in energy efficiency, and to reduce the risk to utilities during multi-year rates plans or when faced with significant financial challenges. The Commission today determined that the RDM provisions of the rate plan are a significant step forward for the State's environmental policies and our efforts to increase the efficiency with which we use energy in New York.

Low-Income Program Funding

The rate plan dedicates \$5 million in base rate funding, over three years, to Con Edison's low-income programs. Additionally, the rate plan allows the company to recover an additional \$1 million in funding should the company have more participation in the program than it currently forecasts. Customers are eligible for the program if they are receiving benefits under any of the governmental assistance programs such as Supplemental Security income, Temporary Assistance to Needy Persons, Safety Net Assistance, Medicaid, Food Stamps, or have received a Home Energy Assistance Program grant in the preceding 12 months.

The Joint Proposal was submitted to the Commission by Con Edison, Staff of the Department of Public Service, City of New York, Consumer Power Advocates, New York Energy Consumers Council, Small Customer Marketer Coalition, Pace Energy Project, Association for Energy Affordability, IDT Energy, and NYSERDA.

The Commission's decision in Case 06-G-1332, when issued, will be available on the Commission's www.dps.state.ny.us Web site by accessing the File Room section of the homepage. Many libraries offer free Internet access. Commission decisions can also be obtained from the Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).