STATE OF NEW YORK
Public Service Commission
Garry A. Brown, Chairman

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COMMISSION SETS NEW STEAM RATES FOR CON EDISON
— New Rate Structure Spreads Out Increases to Reduce Overall Customer Impact —

Albany, NY—09/16/10—The New York State Public Service Commission (Commission) today voted to adopt a three-year rate plan that establishes new steam delivery rates for Consolidated Edison Company of New York, Inc. beginning Oct. 1, 2010.

"This rate plan serves the interests of customers and Con Edison," said Commission Chairman Garry Brown. "It minimizes the impact of rate increases on individual customers and on the service territory as a whole and it provides the company the revenues and direction needed to provide safe and adequate service over an extended period of time."

The Con Edison steam system currently serves approximately 1,800 mostly high-usage customers with steam for space heating, hot water and for cooling equipment. Under terms of a Joint Proposal accepted by the Commission, rates will increase $49.5 million annually for the next three years, representing increases of approximately 7.0 percent, 6.5 percent and 6.1 percent on total bills in the three years, respectively. The accepted Joint Proposal also reflects: specific austerity measures in each of the three years in recognition of current economic conditions; stronger incentives for the company to effectively manage its costs; provisions to share excess Company earnings, if any, with customers; and enhanced incentives for steam safety.

Regarding its steam operations, Con Edison had initially proposed that steam revenues be increased by $128.8 million in the first year, representing an increase of 18.2 percent on total bills, but also included a four-year plan that included increases of $66.1 million, a 9.4 percent increase on total bills) for each of the four years. Con Edison stated that the main reasons for the requests are to: fund ongoing infrastructure investment; offset lower sales revenues; fund higher property taxes, pension and other post-employment benefit costs; and offset expiring credits.

Previously, in January of 2009, the Commission instituted a proceeding to consider the company’s steam resource planning, East River Repowering Project (ERRP) cost allocation, and steam energy efficiency programs. By notice issued January 6, 2010, the ERRP cost allocation issue was transferred for decision from the steam planning case to the steam rate case.

As part of the Commission’s decision today, it was determined that ERRP provides benefits to electric customers, but the benefits do not outweigh the current imbalance in cost allocation. Because the benefits tend to be capacity-related, the Commission supports a continuation of the current allocation method for non-fuel costs.

In addition, the Commission found that the risk of a precipitous loss of steam customers is not great enough to justify continuation of the current method for fuel costs. For that reason, fuel costs should be reallocated so that the cost of fuel paid by electric customers is equal to the market value of the energy. The reallocation of fuel costs should be phased in, to moderate impacts on customers.

Specifically, the Commission agreed to maintain the existing allocation method for three years, while shifting $7.5 million per year in costs from electric customers to steam customers, beginning in the second rate year.

Furthermore, the Commission addressed the allocation of ERRP costs in the years following the approved steam rate plan. Non-fuel costs would continue to be allocated using the current method. For allocation of fuel costs, a new method would be adopted, to be placed in effect after the end of the three-year steam rate plan.

Although subject to later determination of the amount of the reallocation, the new method is expected to result in a significant shift in costs from Con Edison’s electric system to its steam system and an eventual increase in steam bills. The shift would be phased in over a period not to exceed 10 years (including the three years of the new steam rate plan).

The primary causes of the steam rate increases are revenue reductions as a result of lower sales, increases in company costs for property taxes and pensions and other post-employment benefits (OPEBs), increased plant investment and depreciation, and expiring customer credits.

The steam revenue requirements also have been reduced by austerity cost adjustments totaling $9 million over the three-year period. Austerity may be achieved through a combination of operation and maintenance expense reductions or capital cost reductions, as well as credit for the steam system's allocable share of any corporate-wide austerity measures.

The Commission's decision today, when issued, may be obtained by going to the Commission Documents section of the Commission's Web site at www.dps.state.ny.us and entering Case Numbers 09-S-0794 and 09-S-0029 in the input box labeled "Search for Case/Matter Number." Many libraries offer free Internet access. Commission orders may also be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).

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