

Filed Session of June 15, 2005
Approved as Recommended
and so Ordered
By the Commission

JACLYN A. BRILLING
Secretary

Issued and Effective June 16, 2005

STATE OF NEW YORK
DEPARTMENT OF PUBLIC SERVICE

May 31, 2005

TO: THE COMMISSION

FROM: OFFICE OF ELECTRICITY AND ENVIRONMENT–
RATES & TARIFFS

SUBJECT: 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.

Consolidated Edison Company of New York, Inc. compliance tariff filing related to the Commission Order issued September 27, 2004 in this proceeding.

RECOMMENDATION: Staff recommends that the tariff amendments listed in Appendix I be allowed to become effective on a permanent basis on June 17, 2005.

SUMMARY

Consolidated Edison Company of New York, Inc. (Con Edison) filed amendments to its steam tariff schedule in compliance with the Commission's Order Adopting the Terms of a Joint Proposal, issued September 27, 2004 in Case 03-S-1672 (September 27 Order). Staff has reviewed the amendments and finds them to be in compliance with the September 27 Order. Therefore, the amendments should be allowed to become effective on a permanent basis on June 17, 2005.

BACKGROUND

In the September 27 Order, the Commission adopted a two-year rate plan for Con Edison's steam business commencing October 1, 2004. Effectuation and implementation of the terms and conditions of the rate plan required amendment of numerous provisions of the company's steam tariff, P.S.C. No. 3 – Steam. The Order directed Con Edison to file the tariff amendments necessary to effectuate its terms.

On October 1, 2004, Con Edison filed the required tariff amendments and advised the Secretary that copies of the filing had been served on all parties to Case 03-S-1672. Pursuant to the terms of the September 27 Order and October 1 Errata Notice,¹ the tariff amendments became effective on a temporary basis on October 1, 2004, and interested parties were given ten days to submit comments thereon. No comments were received.

The tariff amendments are listed in Appendix A. A description of the tariff amendments is included in Appendix B.

DISCUSSION AND CONCLUSION

Staff has reviewed the company's filing and confirmed that the tariff amendments properly reflect the provisions of the September 27 Order. The amendments include language necessary to implement the first rate year (October 1, 2004 through September 30, 2005) rate increase of \$49.6 million, as well as the rate design and other changes described in the rate plan. No party has objected to the changes and Staff does not believe any modifications to the amendments are needed. Accordingly, there is no impediment to adopting them on a permanent basis.

¹ The September 27 Order incorrectly stated the effective date of the tariffs as October 18, 2004. An Errata Notice was issued on October 1, 2004 that corrected this error and specified that the tariffs would take effect on a temporary basis on October 1, 2004.

It is recommended that the tariff amendments listed in Appendix I be
allowed to become effective on a permanent basis on June 17, 2005.

Respectfully submitted,

MARCO PADULA
Utility Engineer 3

ROSANNE ERETANO
Utility Analyst 2

Reviewed by:

KEVIN LANG
Assistant Counsel
Office of General Counsel

Approved by:

DOUGLAS E. LUTZY
Chief, Rates & Tariffs
Office of Electricity and Environment

SUBJECT: Filing by CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

Amendments to Schedule P.S.C. No. 3 - Steam

Original Leaves Nos. 4-A, 13-B, 14-D
First Revised Leaves Nos. 3-A-1, 5, 13-A, 14-C
Second Revised Leaves Nos. 28, 29, 30, 31, 32, 33, 34
Third Revised Leaf No. 7-F
Fourth Revised Leaves Nos. 11, 21-B, 22-B, 23
Fifth Revised Leaves Nos. 4, 14-B
Sixth Revised Leaf No. 2-A,
Ninth Revised Leaf No. 15-A
Thirteenth Revised Leaves Nos. 2, 3-A, 22-A
Fourteenth Revised Leaves Nos. 6-A, 14-A
Fifteenth Revised Leaf No. 3
Sixteenth Revised Leaf No. 15
Twentieth Revised Leaf No. 21-A
Thirty-First Revised Leaves Nos. 14, 20, 21, 22

Issued: October 1, 2004 Effective on a Temporary Basis: October 1, 2004

NEWSPAPER PUBLICATION: October 8, 15, 22 and 29, 2004

SUMMARY OF TARIFF CHANGES

Proposed Rate Design within the Firm Classes

- 1) The customer charges for S.C. No. 1 (General Service), S.C. No. 2 (Annual Power Service), and S.C. No. 3 (Apartment House Service) rates have been increased by the overall pure base rate percentage increase. The pure base rate percentage increase was developed by dividing the sum of the rate year revenue increase excluding gross receipts taxes plus the decrease related to the roll-in of the current level state income of taxes by the total rate year pure base revenues.
- 2) S.C. No. 1 and S.C. No 2 winter, and S.C. No 3 winter block rates have been designed to recover the balance of the revenue requirement in each class.
- 3) S.C. No. 4 Rate I (Backup/Supplementary Service) and S.C. No. 6 Rate I (Transportation Service) customer charges have been set equal to the S.C. No. 2 customer charge. S.C. No 4 Rate II and S.C. No. 6 Rate II customer charges have been set equal to S.C. No. 3 customer charge. Rate I and Rate II On-Peak and Off-Peak Contract Demand Charges and On-Peak and Off-Peak Usage Charges excluding the base of fuel have been increased by the overall pure base rate percentage increase.

Service Lines and Main Extension/Reinforcement

- 1) General Rule III(a), Applications, has been changed to indicate that applications for service may be made for service to a building or premise within 250 feet, rather than 100 feet, of a company street steam main.
- 2) General Rule III(e), Prepayment for Extension or Reinforcement of Mains and General Rule III-2(b), Prepayment for Installation of Service Line and Furnishing of Service Equipment have been changed as follows:
 - (a) Customers are required to make a prepayment for the extension or reinforcement of mains and/or for the installation of service lines and furnishing of service equipment if the cost exceeds two-years' estimated pure base revenue rather than one-year's estimated pure base revenue. For main extensions or reinforcements, the monthly repayment amount will be equal to 10% of the steam customer's bill plus 10% of the amount of the bill for any other customer connected to the main extension by a service.
 - (b) Customers requesting main extensions or reinforcements may alternatively pay annual amounts over a ten-year period. Each annual installment will be equal to 10% of the capital costs, plus carrying costs, less 10% of the amount collected in bills over the prior 12 months.

- 3) General Rule III-1(e) has been modified to clarify that customers who fail the revenue test are required to prepay the cost of the extension or reinforcement in excess of the estimated two-years' revenue, rather than the full cost.
- 4) General Rule III-2(b) has been modified to be consistent with General Rule III-1(e) to indicate that the Company will commence repayment to a customer, of the customer's prepayment for service lines, beginning with the month in which the customer's first bill is issued, and, after ten years, the Company's obligation will cease.
- 5) General Rule III-2(c), Reimbursement by the Customer, has been modified to remove the reference that required payment by a customer for service lines, meters and service equipment if the customer terminated service before completing a one-year term of service. Customers will reimburse the Company for any cost or expense that the Company may have incurred in making service available should a customer refuse to accept steam service after making application.

Steam Repair Service

The Company will require prepayment of estimated charges, price materials based on their fair market value plus 12% for handling, and reconcile estimated and actual charges for labor and materials and bill/refund any difference.

State Income Taxes (SIT)

The Company will begin recovering SIT in base rates, instead of through the Company's Statement of Percentage Increase in Rates and Charges, commencing October 2004. The Company will continue to use the Statement of Percentage Increase in Rates and Charges to surcharge or credit customers for under-or-over collections of SIT related to periods prior to October 2004.

Rider E – Negotiated Steam Fuel Cost

- 1) Rider E has been modified to: (a) credit a customer who uses less than the agreed-upon volume of steam in any month; and (b) permit aggregation of purchases by one or more customers, provided a single entity, acceptable to the Company, accepts financial responsibility for all applicable accounts.
- 2) S.C. No. 2 and S.C. No. 3 customers will be offered the option to participate in Rider E.
- 3) Language has been added to Rider E specifying that a customer has the option to obtain a fixed price for a portion of the steam fuel costs for which the customer is

responsible and that such fixed price will reduce volatility but can be higher or lower than the actual market price. A fixed price option will be available prior to and will be applicable to each winter heating period and each summer cooling period.

- 4) Rider E has been modified to indicate that instead of being responsible for the entire Special Monthly Adjustment component of the Fuel Adjustment Clause (FAC), customers will be responsible for the following non-fuel components of the FAC: (a) the annual adjustment, which reconciles the steam system variance and may be a credit or surcharge; and (b) the New York City sewer usage charge, which is a component of the Special Monthly Adjustment. Other Special Monthly Adjustment components will not be a credit or debit to each bill, but will instead be taken into account in establishing the negotiated steam fuel cost.
- 5) Service under Rider E will commence on the customer's first scheduled meter reading date following the onset of the fixed cost period.
- 6) An entity that aggregates steam purchases must separately identify the fixed volume of steam to be provided to each steam account as well as the total volume of steam to be provided in each month.

Fuel Adjustment Clause

- 1) The Monthly Adjustment has been modified to: (a) indicate that it is inclusive of the Deferred Fuel Cost Amortization and Special Monthly Adjustments; (b) indicate that following each October, beginning in 2005, the Company will compare actual expenses for fuel, including the contractual variable cost of steam purchased from others for resale, for the 12 months ending September, to the sum of: 1) the total of recoveries through the base cost of fuel for the 12 months ending September, plus 2) the recoveries through the Monthly Adjustment for the 12 months ending October, plus 3) the recoveries of fuel revenues from Rider E customers. Any under- or over-collections, plus interest, will be reflected in the Monthly Adjustment over the subsequent 12 months beginning November.
- 2) The base cost of fuel has been modified to include fuel amounts collected through the customer charge.
- 3) The Special Monthly Adjustment has been modified to specify inclusion of East River Repowering Project -related credits and charges, and to indicate that following each October, beginning in 2005, the Company will compare actual expenses related to the Special Monthly Adjustments for the 12 months ending September to actual recoveries for the 12 months ending October. Any under- or over-collections, plus interest, will be reflected in the Special Monthly Adjustments over the subsequent 12 months beginning November.

- 4) The Annual Adjustment has been modified to indicate that the 13.5% cap on the steam system variance was applicable only to the annual period ending September 2004. The annual steam system variance provided in the rate plan is applicable for the annual periods commencing October 2004.

Service Classifications Nos. 2 and 3

- 1) Special Provisions D and E of S.C. Nos. 2 and 3 have been modified to indicate that the Company will offer service to new applicants under the air-conditioning incentive programs until at least September 20, 2006 and the current discount levels will be applicable for a two-year term to customers who commence service under these programs before October 1, 2006.
- 2) The Company, at its discretion, may provide a customer with a one-time payment of the net present value of bill reductions, in lieu of monthly bill reductions, provided the customer commits to a contract term that is equivalent to the term value of the bill reduction.

Service Classification No. 5 (Negotiated Agreement Service)

S.C. No. 5 has been modified to: (a) include a provision that the Company will respond to applications for service under this service classification within 30 calendar days; (b) when requested by a customer, the Company will provide the basis for its decision not to offer a negotiated rate within 15 business days of the later of the date of the Company's decision or the date of the request; (c) a customer who fails to receive a negotiated rate or objects to the offered rate may appeal the Company's decision to the Department of Public Service's Director of Economic Development and Policy Coordination; (d) unless otherwise agreed to by the customer and upon full disclosure, the negotiated rate shall not exceed the tariff rate in effect for or applicable to the customer at the time a service agreement is executed; (e) the Company will provide marginal cost calculations to Staff and may request trade secret protection for such calculations; and (f) the Company, may, at its discretion, provide monthly bill reductions from otherwise applicable rates or make a one-time payment of the net present value of a bill reduction, provided that the customer commits to a contract term that is equivalent to the term value of the bill reduction.