

COMMENTS OF THE COUNTY OF WESTCHESTER ON THE ALLOCATION OF THE
NET PROCEEDS FROM THE SALE OF THE WATERSIDE PARCEL

Q. PLEASE COMMENT ON THE GAINS FROM THE SALE OF THE FIRST AVENUE PROPERTIES, SPECIFICALLY WATERSIDE.

A. Con Edison's July 25, 2005 filing in Case 01-E-0377 - Sale of First Avenue Properties, the utility reported net proceeds of \$113.5 million and proposed that the Steam System receive \$46.1million of that amount. In the Company's filing in the instant case, and in the JP, the Company has proposed that the steam system receive \$46.1 million and that those proceeds be amortized over a three year period. Con Edison's July 25, 2005.

One of the underlying assumptions utilized by Con Edison in arriving at the proposed steam rates as presented in the Joint Proposal is that the proceeds from the sale of the First Avenue properties, including Waterside, would be allocated between the Electric System and the Steam System in accordance with Con Edison's July 25, 2005 filing in Case 01-E-0377,. The Company stated in that filing that it believed allocating the proceeds from the sale of those properties based on the historic allocation of costs, which would result in an allocation of about 93.1 percent to electric and about 6.9 percent to steam, was inappropriate.

Rather, the Company proposed that the net proceeds from the sale of the Waterside property should be allocated to electric and steam customers in accordance with their

respective allocation of ERRP capital cost. Using the Company's proposed methodology for allocating the net proceeds from the sale of Waterside results in an allocation of about \$2.3 million to electric and \$1.2 million to steam.

Westchester believes that the electric ratepayers should receive a share of the proceeds in direct proportion to its prior expenditures in support of those facilities. If the proceeds are allocated based on the historic allocation of costs it would result in an assignment of about \$3.3 million to the Electric System and \$0.2 million to the Steam System.