



RECEIVED
PUBLIC SERVICE
COMMISSION
EXEC-FILES-ALBANY

2007 MAR -1 AM 9:41

03-S-1672
reports

OGC
OEE

Richard B. Miller
Assistant General Counsel
212-460-3389
millerrich@coned.com

February 28, 2007

VIA OVERNIGHT MAIL

Honorable Jaclyn A. Brillling
Secretary
State of New York
Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

Re: Case No. 03-S-1672 - Con Edison Steam Business Development Plan

Dear Secretary Brillling:

As required by the Commission's December 5, 2005 order in Case 03-S-1672 on the Company's steam business development plan, Consolidated Edison Company of New York, Inc. respectfully submits its report on the action item concerning long-term contracts. Enclosed please find an original and five copies of this report. Please contact me if you have any questions regarding this matter.

Very truly yours,

Richard B. Miller

cc: Active Parties to Case No. 05-S-1376 (via e-mail)
Enc.

***Case 03-S-1672 Con Edison Steam Business Development Plan
Develop a Framework for Long-term Contractual Relationships***

18 Month Progress Report

The Steam Business Development Plan approved by the Commission provides in full with respect to the above referenced action item:

Con Edison Steam has indicated that it is willing to consider different forms of SC5 contracts, such as those with longer terms. In furtherance of this effort, Con Edison Steam should:

- Prepare a list of potential actions it might undertake or cause to be undertaken to increase the attractiveness of steam. Examples of such actions include supporting customers' investments in hybrid chiller sets, turbine maintenance, and consumption management services. For each item listed, the company should identify whether the action would require intermediate or long-term agreements with the customer to make it feasible
- Identify ways in which it could partner with OEM vendors to develop CHP or district cooling facilities designed for service to specific anchor customers or service districts, and assess whether and to what extent the use of long-term customer service contracts would be appropriate to foster customer investments in such facilities

Time due: File a progress report 18 months after filing the Business Development Plan with the PSC.

Here is the progress report:

Con Edison has commenced two programs to improve energy efficiency. These programs are a series of energy audits that will result in the issuance of a "Best Practices" report for customers and a steam demand control strategy utilizing existing customer water systems. To date, the use of long term contracts has not been required for these programs. Additionally, the Company will be making proposals to existing heating only customers that have the potential to become hybrid cooling customers. The use of long term contracts to implement these proposals will be used where appropriate.

With respect to district cooling, the Company is currently having a district energy study performed by a consultant, as required by the current Steam Rate Plan. If that study shows that islanded district energy is feasible in New York City, and Con Edison determines that it is an appropriate business opportunity for the steam business unit, then the Company will determine if long-term contracts would be appropriate for that business opportunity.

As noted in the action item, Con Edison Steam has utilized the SC-5 tariff to retain customers to use steam for cooling and heating. Since the completion of the Steam Business Development Plan, Con Edison has negotiated and executed six long-term customer contracts that require a customer to use steam for cooling in exchange for receiving a discount. The customers have used these discounts, in addition to incentives provided by the New York State Energy Research and Development Authority, to replace older steam chillers with modern, efficient steam chillers. The terms for these contracts has ranged from 4 to 10 years. In addition, Con Edison has executed long-term contracts with three existing customers to retain them as steam heating and cooling customers. The terms for these contracts also range from four to ten years. Total cooling load retained under these nine contracts is 28,600 tons. Currently, there are four cooling retention projects in negotiation and three more cooling retention projects in the initial stages of review by the Company that may result in long-term contracts.

Since the Business Development Plan was issued, Con Edison Steam has engaged in several discussions with customers that expressed interest in the use of long term contracts to reduce costs and remain customers. These discussions have been general in nature and directed by the customers towards management of customer portfolios and linking of multiple accounts. To date, these discussions have not resulted in any contracts.