03-S-1672
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Report

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March 30, 2007

Via Overnight Delivery

Honorable Jaclyn A. Brilling
Public Service Commission
Three Empire Plaza
Albany, New York 12223

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

Dear Secretary Brilling:

Consolidated Edison Company of New York, Inc. ("Con Edison" or "Company") respectfully submits an original and five copies of its April 1, 2007 steam business development plan quarterly status report, as required by the Commission's December 5, 2005 order in Case 03-S-1672.

Yours very truly,

Richard B. Miller

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

April 2007
STATUS REPORTS ON ACTION ITEMS

Work Plan No. SBDP- 2
Pipeline Asset Management System

Objective: Develop a pipeline asset management profitability/value analysis program.

Overall Completion Date: September 1, 2007

Summary of Activities, 1st Quarter 2006:

1. Prior in-house studies were reviewed. The parameters and basis of these efforts can be used and enhanced upon for additional on-going analysis.

2. System-wide unit costs have been identified using the Annual Report (FERC Form 1) for year ending December 31, 2004, and, on an interim basis, the Operating & Financial report of December 2005. A new Annual Report, for the period ending December 31, 2005, was available in April 2006.

3. Year-end costs have been identified in order to benchmark pipeline (radial main) profitability. The items considered in establishing a ranking metric of pipeline profitability include elements specific to steam production, distribution, and carrying charges.

The following unit costs have been identified:

Production Elements
- Sales Revenues – (Accts. 601, 604, 605, 607, 608, 610, and 615)
- Operation and Maintenance – fuel, water (Accts. 701 – 714)

Distribution Plant Elements
- Main Investment (Acct. 353)
- Services (Acct. 359)
- Maintenance of Mains and Services (Accts. 756 – 772)
- Pipe Lengths (feet) in service, by diameter (inches)

Carrying Charges
- Production Plant in Service (Accts. 310, 311, 312, 315, and 316)
- Depreciation on Mains (Acct. 353)
- Franchise Taxes on Mains
- Rate of Return

Anticipated Activities, 2nd Quarter 2006:

1. Commence evaluation of customer account costs for production costs, distribution costs, and carrying charges such that segment-specific (de-averaged) pipeline costs may be calculated.

Summary of Activities, 2nd Quarter 2006:

1. The following additional unit costs have been identified:

    - Production Elements
      Production Plant – (Accts. 310, 311, 312, 315, 316)

    - Distribution Elements
      Trap Manholes – quantity and inspection cost
      Slip Joint Manholes – quantity and inspection cost
      Pump Manholes – quantity and inspection cost

    - Operating Revenues
      Send out – Mlbs sold

2. Carrying charges were eliminated from the evaluation based upon advice from the Accounting department. Mains are regulatory assets, included in rate base, and therefore are subject to capital recovery from the customer through base rates (Depreciation and Rate of Return). Any asset, regardless of the age at which it is retired, will be fully recovered through the rate base.

3. The spreadsheets that accompanied the original in-house evaluation have been updated with the above referenced Distribution Plant cost items.

Anticipated Activities, 3rd Quarter 2006:

1. Refine the original database that accompanied the in-house radial main evaluation with additional data that can be extracted from the electronic mapping system to more effectively identify underutilized mains.

2. When the manual mapping is completed for Work Plan SBDP No. 3, this map will be used as a tool to determine if there are any potential customers in close proximity to a radial main that has low usage. If there are no potential customers that exist on a low usage radial main, a well-informed decision can be made whether the radial main can be capped, i.e., disconnected for the system, consistent with the Company's Public Service Law obligations.

Summary of Activities, 3rd Quarter 2006:

1. In order to refine the database from the original in-house radial main evaluation, an examination of approximately 240 radial mains was conducted by comparing the data from the in-house radial main evaluation with the steam system map (Steam Operations Mapping and Information System or SOMIS). Corrections were made to the database to conform to this examination. In addition, we determined a method for continually updating the database.

2. As described in Work Plan No. SBDP-3, Mapping & Locational Analysis, the manual mapping tool is not yet completed.

Anticipated Activities, 4th Quarter 2006:

Upon the completion of the manual mapping tool, we will update the original in-house radial main evaluation spreadsheet with sales and usage (pure base revenue and Mlbs) information on a service line-specific basis.

Summary of Activities, 4th Quarter 2006:

As described in Work Plan No. SBDP-3, Mapping & Locational Analysis, we have acquired software for a Manhattan real estate property database and requested the vendor to incorporate the location of the steam mains into that database.

Anticipated Activities, 1st Quarter 2007:

Following receipt of the vendor's work, and the integration of the customer database, we will update the prior radial main analysis to identify "underperforming" mains and determine potential new customers located on or near these mains.

Summary of Activities, 1st Quarter 2007:

Over half of the under and/or marginally performing steam mains have been examined against our internal mapping system (SOMIS) and the recently acquired Manhattan real estate property database. This examination has identified potential radial main retirement opportunities, as well radial mains that are now profitable due to the recent addition of new business. As additional new accounts are acquired on radial mains, customer account information will be updated in the database.

Anticipated Activities, 2nd Quarter 2007:

1. We will continue to evaluate the remaining under and/or marginally performing steam mains.

2. We will complete our investigation on the value of incorporating steam main location information into the Manhattan real estate property database.

3. We will update unit cost items, as appropriate.

Work Plan No. SBDP-3
Mapping & Locational Analysis

Objective: Evaluate and, if appropriate, implement mapping technologies to improve marketing opportunities and techniques.

Overall Completion Date: Review of systems: July 1, 2006
Implement system: January 1, 2007, if review indicates

Summary of Activities, 1st Quarter 2006:

1. Steam Business Development (SBD) met with Information Resources (IR) to discuss the capabilities of Steam Operations Management Information System (SOMIS) to interface with external databases and met with Marketing & Sales to develop an understanding of the mapping technologies they employ. IR explained that the SOMIS system is not compatible with Geographic Information Systems (GIS). In the past, customer buildings were geo-coded and those codes were incorporated into SOMIS database for future use. The SOMIS system can be used to display customer information, but cannot access and process potential customer information.

2. Discussions were held with the Con Edison gas market research group. They have the capability to access New York City and other external databases, query the databases, and map the results of query. As an example, in order to identify potential steam markets, the geo codes of major intersection points of the steam distribution system can be entered on and connected to city maps. A query could then be run to identify all buildings over a specified square footage and the results mapped. This graphical output can then be merged with SOMIS graphical output. This would be a manual process until overhaul of the Company's mapping technology is completed.

Anticipated Activities, 2nd Quarter 2006:

1. Complete review of Company manual system (by May 1, 2006): (a) prepare and run sample query(s) that would be of potential business development benefit to verify operation of manual system; (b) evaluate cost of manual runs; (c) evaluate value of this graphical information to assist in marketing, operating, and investment decisions.

2. Implement the Company's manual system by June 30, 2006, unless review indicates otherwise.

3. Obtain input from four large steam, gas, and/or water companies on their extent of and basis for use of digital/GIS mapping technologies and compare to the Company's proposed system. Provide input to Company's IR department to assure SBD's needs are incorporated.

Summary of Activities, 2nd Quarter 2006:

1. Completed review of the Company's manual system. We developed a map of the location of all buildings, 300,000 square feet or larger, which are not steam customers by filtering out the geo-coded customers. The results were then overlaid onto the steam system map to serve as a basis for identifying potential customers that were within 250 feet of a main. The results indicate that the geo-coding of customers is not consistent with the databases. It appears that steam system service addresses were geo-coded while common street addresses are used in the databases. As a result, many addresses were highlighted as potential customers but were already found to be steam customers. A detailed review of each potential customer is being conducted to ensure consistency between the map and the reality in the field.

Anticipated Activities, 3rd Quarter 2006:

1. We will purchase a license to use the manual mapping software described above for $1,500 and begin implementation of that software.

2. Obtain input from four large steam, gas, and/or water companies on their use of digital/GIS mapping technologies.

Summary of Activities, 3rd Quarter 2006:

1. We have purchased the software license for a New York City real estate property database that will be used for marketing and sales research. The software has Geographic Information System (GIS) capability and has been code-corrected to match Company steam customer account addresses. Alias addresses (service address, "house" numbers, and common building "name" address) are currently being compared against common block and lot numbers in order to capture all potential customers at a specific GIS location.

2. Five utility companies were contacted to determine if they use mapping technology in any capacity for marketing and sales. None of the companies we contacted had any GIS mapping capabilities; however, one company indicated that it was considering doing so.

Anticipated Activities, 4th Quarter 2006:

Commence integration of the New York City real estate property database with the steam distribution map (SOMIS) for marketing and sales research.

Summary of Activities, 4th Quarter 2006:

1. The software for the Manhattan real estate property database was delivered and SBD staff was trained by the vendor in the "as delivered" capabilities of the software.

2. SBD staff is exploring the integration of steam customer database information with this database.

Anticipated Activities, 1st Quarter 2007:

1. The vendor has been requested to incorporate the location of the steam mains into its database. We anticipate that this project will be completed in the first quarter 2007.
2. We anticipate completing the integration of the customer database.

Summary of Activities, 1st Quarter 2007:

1. The steam customer building database has been incorporated into the Manhattan real estate database.

2. The Company will investigate the value of incorporating steam main location information into the Manhattan real estate property database.

This Work Plan is complete since the Action Item called for the incorporation of customer information. To the extent appropriate, Con Edison will report on its incorporation of the steam main information as part of Work Plan #2.

Work Plan No. SBDP-7
Create Mechanisms for Ongoing Customer Involvement

Objective: Identify means of involving customers in guiding ongoing development of the steam business.

Overall Completion Date: August 2007

Summary of Activities, 1st Quarter 2006:

1. On January 19, February 15, and March 22, 2006, the Steam Business Development group (SBD) conducted its introductory half-day seminar, "How to Maintain Your Steam System More Efficiently." More than 75 representatives of the steam customer base signed up for these three seminars. Topics included a steam system overview, metering equipment information, regulating valves, steam mains and traps, discussions about safety and environmental issues, and the opportunity to ask questions and discuss customer concerns.
2. On March 16, 2006, SBD was a featured presenter at the 19th Annual Co-op & Condo Expo. The presentation reviewed the business advantages offered to existing or potential Con Edison steam customers, and concluded with an interactive discussion with the attendees. SBD had two exhibit booths where we were available to respond to customer issues or inquiries regarding potential programs and services. Visitors were encouraged to submit inquiry forms that would serve as the basis for follow-up conversations and/or potential site visits.
3. On March 14, 2006, SBD met with a customer that makes equipment investment decisions at multiple customer locations. During the pre-meeting interview, the customer expressed an interest in gaining further knowledge on the steam cooling incentive programs, which was of immediate importance to one building but also for potential application portfolio-wide. Two members of the SBD met with the customer and agreed to submit terms and conditions for a strategic portfolio agreement by the first week of April. The portfolio will be evaluated and approved on a site-by-site basis. The portfolio agreement was submitted by Con Edison on March 30, 2006.
4. SBD also met with one of its top 10 customers to discuss issues such as service reliability, restoration procedures, and redundant service provisions. Responses to all issues were discussed at the meeting, with documentation to be provided by Con Edison as part of the meeting follow-up.
5. Con Edison updated its Web site to include information for customers to apply for new or modified steam service.

Anticipated Activities, 2nd Quarter 2006:

1. Conduct three customer seminars at The Learning Center. Obtain participant feedback to assure presentation materials are of interest and to determine if additional information should be included as part of the seminar.
2. Present and participate in the Buildings NY Show in June 2006.
3. Establish a schedule for the next six to eight meetings with major steam customers, and complete four to six meetings.

Summary of Activities, 2nd Quarter 2006:

1. As a result of the June 2nd Joint Proposal with the DPS Staff and other parties, the scope of this project has been modified. Con Edison has agreed to the following:
    - Appoint primary customer point-of-contact persons to handle steam business complaints, concerns, and other issues.
    - Appoint a customer ombudsman for the steam business.
2. On April 12, May 17, and June 7, the SBU held "How to Maintain Your Steam System More Efficiently" seminars at The Learning Center. A total of 27 customers attended and their feedback was obtained.
3. On June 14 and 15, 2006, SBD was a featured presenter at the Buildings NY trade show and held numerous discussions with customers and others at the Company's trade booth devoted to steam.
4. On June 23, 2006, SBD attended the Consumer Powerline's Steam Day. SBD spoke at the seminar about customer concerns regarding the steam system. As a result of that seminar, a meeting with a large steam customer has been scheduled for early July to discuss customer's steam needs and address any concerns he may have.
5. Met with numerous customers at a variety of venues. Some examples include:
    - On May 30, 2006, SBD met with a large governmental account and their consulting engineer to present alternatives available in the design of its mechanical plant, and to discuss the relevance to the design limitations imposed by the facility's landmark status. At the Buildings NY show, SBD met again with this customer. The customer currently has steam heat and SBD would like to expand their steam use to cooling as well. Further meetings will be held.
    - On June 22, 2006, SBD met with a major mixed-use customer with very high profile residents and tenants to discuss issues such as service reliability, restoration procedures, and notification of steam service shutdown. All issues were discussed at the meeting, with documentation to be provided by Con Edison as part of the meeting follow-up. A point of contact was established in the event of another shutdown or other customer concerns. Also discussed was the upcoming demand charge. An invitation was extended to the fall steam demand billing seminar. Follow up will commence.

Anticipated Activities, 3rd Quarter 2006:

1. Designate the members of the SBD staff who will serve as the single point of contact for each major customer and the point of contacts for the remaining steam customers.
2. SBD plans to offer workshops to major governmental accounts on hybrid chillers.
3. SBD is developing a plan to issue a "Challenge Paper" to invite customers who may have developed innovative ideas for using steam at their facilities. Winning ideas could be used in a "technical paper" presented at a forum of industry peers.
4. A database is being prepared consisting of SBD's new marketing specialists' past industry contacts to be used to develop sales leads and relationship building.
5. SBD will work with the Company's Account Executives to strengthen relationships between major steam customers and new members of the SBD staff.

Summary of Activities, 3rd Quarter 2006:

1. Met with numerous customers at a variety of venues. Some examples include:
    - Representatives from a major educational institution to discuss an upcoming project.
    - A major financial firm's staff concerning current and future steam use and steam demand issues
    - A landmark office building regarding demand issues, installing pulse data equipment, Learning Center Steam seminars, the STEEMs DSM program, and the steam repair program.
    - Property managers from a large commercial portfolio were invited to 4 Irving Place to discuss steam demand billing and related demand reduction programs.
    - Property managers from a worldwide development company to discuss installing pulse data equipment at multiple locations.
    - Attended BOMA-NY monthly meeting to present upcoming steam demand seminar and related demand reduction programs. Contacts were made with advisors and vendors.
2. Designated the members of the SBD staff who will serve as the single point of contact for each major customer and the point of contacts for the remaining steam customers. We have also identified the Steam Ombudsman.
3. We are requesting abstracts from our customers, steam equipment vendors, and consultants in steam applications that describe unique applications of steam technology. SBD will assist the writers of the best three abstracts to create and submit technical papers to the World Energy Congress (WEC). Con Edison will pay travel and lodging expenses for selected author(s) to attend the conference in Rome in Nov 2007. Valued papers will also be sponsored in local trade events to promote steam and our customers. A mailing went out to 579 individuals notifying them of the rules of the Challenge Paper and the due date.

Anticipated Activities, 4th Quarter 2006:

1. SBD will host meetings with Con Edison's Account Executives and Customer Project Managers to enhance internal relationships.
2. SBD will hold a customer steam demand seminar on October 12.
3. Letters will be mailed to the 450 largest customers informing them of their single point of contact. A separate letter will be mailed to the remaining customer base to notify customers of a point of contact within the SBD.
4. We will post the contact information for the Steam Ombudsman on the Steam Operations Web site.

Summary of Activities, 4th Quarter 2006:

1. Numerous meetings were held with individual customers and small groups of customers.
2. Challenge paper abstracts are being edited and will be submitted to the World Energy Congress by the end of December 2006.
3. SBD hosted meetings with Con Edison's Account Executives on October 4 and Customer Project Managers on October 11 to discuss issues of mutual interest. The major focus at both meetings was how to provide more coordinated services to customers.
4. SBD held a customer steam demand seminar on October 12. More than 125 customers attended the two sessions and heard presentations on demand metering and billing and ways to improve building load factors. The presentations and bios of the presenters appear on the Steam Operations' Web site.
5. Letters have been prepared to be mailed to the 450 largest customers informing them of their single point of contact within SBD. An additional letter has been prepared to be mailed to the remaining 1,350 customers to provide contact information within the SBD group.
6. Information was posted on a new page on the Steam Operations' Web site that provides customers with the Steam Ombudsman's telephone number and e-mail address, as well as the SBD contact information.

Anticipated Activities, 1st Quarter 2007:

1. Point of contact letters will be mailed early in the first quarter of 2007.
2. Meetings will continue with individual customers and groups of customers to discuss demand billing concerns and cost reduction strategies.
3. A tour of the East River Power Plant has been scheduled for interested members of the New York chapter of the Building Owners and Managers Association (BOMA).
4. Preliminary planning will begin for a steam seminar for architects and engineers.

Summary of Activities, 1st Quarter 2007:

1. Point of contact letters were mailed during the first quarter of 2007. The Company has received numerous positive responses.

2. Several meetings were held with individual customers and with groups of customers.

3. A tour of the East River Station was conducted for members of BOMA.

4. Planning has begun for a steam seminar to be held May 2, 2007. A "Save the Date" notification has been mailed.

This Work Plan is now completed and Con Edison will report on further implementation as required by the current Steam Rate Plan.

Work Plan No. SBDP-8
Conduct a Marginal Cost-of-Service Study

Objective: To prepare and submit a new marginal cost-of-service study.

Overall Completion Date: June 1, 2007 (assuming that the next rate case will be filed in October 2007)

Summary of Activities, 1st Quarter 2006:

None required.

Anticipated Activities, 2nd Quarter 2006:

None anticipated.

Summary of Activities, 2nd Quarter 2006:

None required.

Anticipated Activities, 3rd Quarter 2006:

1. Organize and hold project kick-off meeting with relevant Company personnel.
2. Develop schedule and scope of work for study, due on September 30, 2006.

Summary of Activities, 3rd Quarter 2006:

A meeting of the Marginal Cost Working Group (MCWG) was held on September 13, 2006. A scope-of-work and project schedule were approved.

The MCWG is comprised of personnel from the following Con Edison departments: Rate Engineering, Steam Business Unit (SBU), and Energy Management. The next meeting of the MCWG is scheduled for mid-October, at which time the methodology for calculating the marginal cost will be discussed and finalized.

Once the methodology is finalized, the necessary data will be assembled and analyzed over the next few months. Project status meetings will be held as necessary during the 4th Quarter 2006.

Anticipated Activities, 4th Quarter 2006:

1. Finalize methodology.
2. Assemble data and perform initial analyses
3. Hold Working Group meetings as required.

Summary of Activities, 4th Quarter 2006:

The methodology for calculating the marginal cost was discussed and finalized at a meeting of the MCWG.

Anticipated Activities, 1st Quarter 2007:

1. Develop estimated marginal cost calculations and prepare a first draft of the study report.
2. Hold meetings of the MCWG, as needed.

Summary of Activities, 1st Quarter 2007:

1. A first draft of the study was circulated to the MCWG for comments.

2. A meeting of the MCWG was held in March 2007 to discuss various open issues related to the calculations.

Anticipated Activities, 2nd Quarter 2007:

1. Update the draft study and circulate for review.

Work Plan No. SBDP-11
Position Steam as a Clean Energy Source

Objective: Evaluate and promote the energy efficiency and environmental benefits of Con Edison steam as a clean energy source in the emerging "green" building market.

Overall Completion Date: March 1, 2007

Summary of Activities, 1st Quarter 2006:

The United States Green Building Council (USGBC) has prepared a draft guidance document for the evaluation of credits for Leadership in Energy and Environmental Design (LEED) certification. The Company is analyzing USGBC's document related to district energy systems. There are 10 credits available in the area of energy efficiency, but the criteria are based on a cost per square foot basis. The cost of providing the equipment for on-site boilers is not included in the cost basis. Given these parameters, district energy system pricing, which includes fixed costs, would be at a disadvantage.

Anticipated Activities, 2nd Quarter 2006:

1. Complete review and applicability of USGBC guidance document.
2. Begin assessment to determine LEED opportunity for Con Edison steam on building credits.
3. Seek clarification and issue comments or suggestions to USGBC.
4. Continue working with the International District Energy Association (IDEA) to improve recognition and benefits of district energy in Green Building markets and credits.

Summary of Activities, 2nd Quarter 2006:

1. The USGBC draft guidance document prepared in November 2005, was released for evaluation on March 16, 2006 ("March 16 document") for clarification to the October 2005 LEED New Construction (LEED NC) version 2.2 rating system.
2. Discussions with an IDEA member serving on the LEED sub-committee, who assisted with the production of the March 16 document, indicated that this guidance document still requires further refinement.
3. It was indicated that the LEED sub-committee would be reconvened at some future date in order to further clarify the March 16 document.
4. The Company has reviewed and commented to the sub-committee member regarding the March 16 document and its application to district energy systems.
5. There is some discussion within LEED that the rating system may need to move away from ASHRAE 90.1, where the current evaluation methodology is based on energy cost(s), to a system based on energy inputs/outputs. This would be a major change in the overall LEED philosophy. There are currently 10 credits available in the area of energy efficiency, but, as indicated, the criteria are based on cost per square foot. The cost of providing the equipment for on-site boilers is not included in the cost basis.

Anticipated Activities, 3rd Quarter 2006:

1. Remain in contact with the LEED sub-committee regarding the development and/or revision of the NC rating guidance document for district steam systems.
2. Review any updates of the revised guidance document.
3. Assess possible LEED opportunities for Con Edison steam on building energy credits.
4. Seek clarification and issue comments or suggestions to USGBC.
5. Continue working with IDEA to improve recognition and benefits of district energy in Green Building markets and credits.
6. Initial steps are being taken to assess effectiveness of pre-selected condensate re-use products as described in Work Plan 13, "Develop a Condensate Reuse Product." The intent is to obtain data on the effectiveness of the condensate reuse products and seek recognition and integration of its benefit into appropriate energy efficiency programs such as USGBC's LEED program.

Summary of Activities, 3rd Quarter 2006:

1. USGBC has convened a new sub-committee to address whether the consumption of district energy can qualify for LEED points. The sub-committee is scheduled to complete its activities early next year. The Company is working with the IDEA member of this sub-committee to monitor the progress of this effort and review any documents. The Company is also seeking out potential buildings to determine whether they would be able to qualify for LEED credits for the use of district energy steam under the existing LEED rules.
2. SBU organized two facility visits to the East River Station to introduce building and industry representatives to its technical features and environmental benefits.
3. SBU provided to the NYC Department of Design and Construction, Office of Sustainable Design, system-wide CO2, NOx, SO2, and PM emission rates. The emission rates were presented along with the other environmental benefits of the steam system, such as the elimination of oil truck deliveries and the local air quality and visual impacts associated with individual building stacks.

Anticipated Activities, 4th Quarter 2006:

1. Remain in contact with the LEED sub-committee regarding the development and/or revision of the LEED-NC rating guidance document for district energy systems.
2. Continue assessing possible LEED opportunities for buildings using Con Edison steam under existing LEED rules.
3. Review the requirements for joining the EPA "CHP Partnership Program" to determine if it is applicable for utility central station co-generation plants.

Summary of Activities, 4th Quarter 2006:

1. To date, two steam driven technologies were identified that can be utilized to potentially obtain LEED – New Construction (NC) credits for a new building wishing to obtain certification. The first credit identified is under the Innovation & Design Process section and was already awarded to the 7 World Trade Center building and is available to other future

buildings. This building utilizes Con Edison steam to operate a microturbine that generates electricity for the building. The second LEED credit identified is under the Energy and Atmosphere section titled Enhanced Refrigerant Management. This credit is available to buildings that are designed to completely eliminate the use of refrigerants in their major HVAC systems. Buildings utilizing Con Edison steam and absorption chillers for cooling would qualify for this credit.

2. The LEED sub-committee developing the district energy guidance has been holding a teleconference every two weeks. The guidance will be specific to the new LEED NC 2.2 requirements and, although progress has been slow, they hope to complete the effort in early 2007. Con Edison remains in contact with this process through the IDEA representative on the sub-committee as part of the effort to have utility district energy systems certified (the current LEED CHP guidance specifically excludes utility district energy systems).

3. A representative from the Steam Business Development (SBD) department attended the USGBC "LEED for New Construction Technical Review Workshop." The workshop was co-sponsored by Con Edison and took place at the Company's headquarters.

4. At the November 15, 2006, GREENBUILD Conference, USGBC unveiled a series of proposals with the intent of having a measurable impact on CO2 reduction. One of the proposed goals is that, beginning in 2007, all new commercial LEED projects will be required to reduce CO2 emissions by 50% when compared to current emission levels. This proposal will go out to USGBC members for ballot in December and will become effective after the date of approval in early 2007. This may be an opportunity for Con Edison Steam to be included as a CO2 reduction technology for a new building since its overall CO2 emission rates are lower when compared to individual gas boilers and their actual seasonal efficiencies.

5. The requirements for joining the EPA "CHP Partnership Program" were reviewed and it was determined that it would be inappropriate for Con Edison to join at this time.

Anticipated Activities, 1st Quarter 2007:

1. Remain in contact with the LEED sub-committee regarding the development and/or revision of the LEED-NC rating guidance document for district energy systems.

2. Monitor the development of USGBC Climate Initiatives and associated 50% CO2 reduction goal to determine if Con Edison steam may be utilized by future buildings as a CO2 reduction technology.

3. Continue assessing possible LEED opportunities for buildings using Con Edison steam under existing LEED rules.

Summary of Activities, 1st Quarter 2007:

1. The draft guidance document for district energy systems was completed and is currently under review by USGBC. Con Edison will continue to work with USGBC.

2. We are working with several customers and their representatives on achieving LEED-Existing Building certification.

This Work Plan is complete and Con Edison will report on further implementation in the annual Strategic Plan required by the current Steam Rate Plan.

Work Plan No. SBDP-13
Develop a Condensate Re-Use Product

Objective: Assess effectiveness of pre-selected condensate re-use products and seek recognition and integration of its benefit into appropriate energy efficiency programs, such as the United States Green Building Council's (USGBC) Leadership in Energy and Environmental Design (LEED) program.

Overall Completion Date: September 1, 2007

Summary of Activities, 1st Quarter 2006:

1. Reviewed the analyses and conclusions of the Condensate Re-Use study prepared by Goldman Copeland in June, 2005. The following condensate re-use measures were identified for studying in a pilot program:
    a. Cooling tower make-up
    b. Hot water pre-heating

These measures were chosen based on their anticipated potential for cost effective water or energy savings. The consultant found that retrofit work for these measures in office buildings that do not operate 24 hours per day is generally not cost effective. The consultant also found that retrofit work to use condensate in laundry facilities, although potentially cost effective in hotels and hospitals, may have limited applicability because there are relatively few of these types of buildings in Manhattan.

2. Identified the following customers who have these measures installed:

Customer:	**Measure Installed:**
Office building	Cooling Tower Make-Up
Office building	Hot Water Preheating
Office building	Hot Water Preheating
Hotel	Hot Water Preheating

Anticipated Activities, 2nd Quarter 2006:

1. Establish a data logging process to measure and quantify water and heat savings (with support of consulting engineer).
2. Develop a set of representative product specifications for selected applications and post them on the Company web site (with support of consulting engineer).
3. Seek partnership opportunities with NYSERDA and the City of New York to support installation of pilot or demonstration systems.

Summary of Activities, 2nd Quarter 2006:

1. Established a data logging process to measure and quantify water and heat savings.
2. Developed a set of guidance sketches for cooling tower make-up and domestic hot water pre-heating using condensate reuse/recovery applications and posted them on the Company Web site.

3. Started discussing partnership opportunities with NYSERDA for a pilot program. The following is a proposed pilot program scope:

- Install a data logger, water meters, and temperature sensors in up to four customer locations that already use condensate to either preheat domestic hot water or as cooling tower make up (at least one customer for each measure).
- Collect data for 3 months in the case of domestic water preheating and for five cooling months (May – September) for cooling tower make-up.

4. Obtained tentative agreement with a residential customer who could potentially participate in a pilot program to measure steam savings resulting from domestic water preheating using condensate.
5. Started discussions with New York City to identify City office buildings that use condensate for cooling tower make up and that would be interested to participate in a pilot program to measure water savings.

Anticipated Activities, 3rd Quarter 2006:

1. Obtain tentative agreement for pilot program participation from up to four customers.
2. Develop pilot program installation cost estimates and obtain commitment for any funding from NYSERDA or other sources.

Summary of Activities, 3rd Quarter 2006:

1. Obtained tentative agreement for pilot program participation from two customers. One is a large residential customer who currently reuses condensate to preheat domestic water. The other is a large commercial customer who reuses condensate to preheat some of its domestic water and for cooling tower makeup.
2. Developed engineering designs for temperature sensor and flow meter installations at these two customer locations. Obtained installation cost estimates.
3. Obtained NYSERDA's agreement to allocate funding in support of this effort. It will issue a Program Opportunity Notice in November to include condensate reuse pilot projects.

Anticipated Activities, 4th Quarter 2006:

Prepare and seek to finalize agreements for two customer sites.

Summary of Activities, 4th Quarter 2006:

Prepared draft agreements for two customers. The Company will finalize the agreements after it receives the final cost estimates from the customers.

Anticipated Activities, 1st Quarter 2007:

Execute agreements for both customer locations and have customers initiate installation work.

Summary of Activities, 1st Quarter 2007:

1. Executed an agreement for a high-rise residential complex that reuses condensate to preheat domestic water.

2. An agreement was sent to the second customer and we are awaiting a response.

Anticipated Activities, 2nd Quarter 2007:

1. Explore with the NYC Department of Environmental Protection a discount or credit for water and sewage rates for condensate re-users.

2. Complete the installation at the residential location, program the data logger, and initiate data acquisition.

3. Execute the agreement with the second customer.

4. Explore possible credits for condensate re-use with the USGBC and the U.S. Environmental Protection Agency's EnergyStar program.

Work Plan No. SBDP-16
Explore Alternative Business Model Options

Objective: Examine potential for technologies not currently utilized by Con Edison to serve customer loads. These may include cooling or thermal loads served on the existing system or detached from the system.

Overall Completion Date: September 1, 2007.

Summary of Activities, 1st Quarter 2006:

The City of New York requested that the Company hire an independent consultant to conduct a district heating and cooling study for the Hudson Yards area of Manhattan. The Company accordingly contacted a consultant, who was requested to prepare an outline of the RFP. This project is currently on hold because of the DPS Staff proposal in the steam rate case limiting cost recovery for outside consultants for steam business development plan implementation items.

Anticipated Activities, 2nd Quarter 2006:

Address and identify the regulatory and economic issues associated with providing these non-steam products to a limited customer base.

Prepare RFP for consultant selection and issue the RFP if cost recovery issues have been resolved.

Summary of Activities, 2nd Quarter 2006:

As part of the June 2nd Joint Proposal with the DPS Staff and other parties, we reached an agreement to conduct a District Energy Study of Hudson Yards.

Anticipated Activities, 3rd Quarter 2006:

By 8/1/06, the Company will convene a meeting of interested parties to discuss the scope of the District Energy Study.

Summary of Activities, 3rd Quarter 2006:

1. On July 26, 2006, the Company convened a meeting of interested parties to review a summary scope of work for the District Energy Study.
2. A detailed scope of work was written and distributed on Aug 22, 2006 for comment from the interested parties before being incorporated into a formal Request for Proposal (RFP). Twelve prospective bidders were identified and are being offered the opportunity to bid on the RFP.

Anticipated Activities, 4th Quarter 2006:

The RFP will be issued to the prospective bidders, with the goal of executing a contract with the winning bidder.

Summary of Activities, 4th Quarter 2006:

RFP was issued to prospective bidders.

Anticipated Activities, 1st Quarter 2007:

Execute contract and begin the District Energy Study. This Work Plan is now complete. The District Energy Study will be filed with the Commission by July 1, 2007, as required by the Steam Rate Plan.

Summary of Activities, 1st Quarter 2007:

The District Energy Study was contracted on January 9, 2007 and a kickoff meeting was held on January 18, 2007. The contractor's work is on schedule.

This Work Plan is complete. The Company will file the District Energy Study with the Commission by July 1, 2007, as required by the current Steam Rate Plan.

Work Plan No. SBDP-18
Develop New Steam-to-Steam and Electric-to-Steam Chiller Incentives

Objective: working with the appropriate government agency or agencies, develop new steam-use incentives to complement existing government programs. Develop means to inform existing and potential new customers about these incentive programs.

Overall Completion Date: ongoing

Summary of Activities, 1st Quarter 2006:

1. On December 15, 2005, Con Edison met with the New York City Economic Development Corporation (NYCEDC) to discuss the creation of a steam incentive program that provides a rate discount to participants who install and operate steam chillers. It is noted that existing programs such as the Business Incentive Rate (BIR) and the Energy Cost Savings Program (ECSP) provide its participants with roughly a 30% reduction in their electric or gas bills, thereby promoting the use of non-steam cooling equipment.

2. On October 26, 2005 Con Edison met with the New York Power Authority, the Lower Manhattan Construction Command Center (LMCCC) and Staff to discuss the potential development of an incentive for steam-based chillers serving properties using NYPA power. Con Edison's analysis established the projected electric usage and demand reductions associated with a representative hybrid chiller plant, and converted these reductions to equivalent present-value saving based on forecasted Day-Ahead Market (DAM) and Incremental Capacity (ICAP) prices. The purpose of the meeting was to establish the potential viability for steam cooling to serve the Freedom Tower, but could be applicable to other NYPA customers that are installing new or replacement cooling equipment. The presentation established that hybrid chillers could be economical if NYPA were willing to make a contribution toward the capital cost of the chiller based in part upon the present value savings in DAM and ICAP prices. NYPA has not yet responded to this presentation.

3. On January 13, 2006, Con Edison provided to NYCEDC an analysis of the proposed terms for a new ECSP incentive program. Con Edison evaluated the economic contribution of incentives by Con Edison (via its SC-5 tariff), NYCEDC (new incentive), and NYSERDA (at approx. $1,100 per kW, or roughly 75% of the first cost differential).

4. On February 24, 2006 Con Edison met with the NYCEDC to further review the proposed program. The primary objective was to establish the content of a presentation to be made to the NYC Office of Management and Budget (OMB) to substantiate the need and annual cost for the program. It was agreed that a new incentive program, specifically to promote steam cooling, would be proposed in order to avoid conflict or modifications with the scope and intent of the existing NYC programs.

5. March 2006: The Company helped the NYCEDC prepare a presentation for City government officials that provides the justification for a steam cooling incentive program.

Anticipated Activities, 2nd Quarter 2006:

1. Continue interagency meetings and conversations between NYCEDC and Con Edison to prepare a legislative proposal and to address appropriate modification to ECSP program.

2. Seek the development of a hybrid chiller incentive program with NYPA.

3. Con Edison, with NYCEDC and NYPA input and concurrence, will complete strategic announcement(s) of the new programs.

Summary of Activities, 2nd Quarter 2006:

1. The Company made inquiries but is still waiting to hear from NYEDC on whether the City is ready to move forward with an amendment to ECSP. In addition, the Company reviewed the need for a steam BIR with the City and concluded that no steam BIR was necessary. The potential for making changes to the electric BIR to include a steam component will be discussed during the next electric rate case.

2. The Company made contacts to determine if NYPA was prepared to move forward with a hybrid chiller incentive program and was informed that NYPA was not ready.

Anticipated Activities, 3rd Quarter 2006:

1. Continue working with the NYCEDC on development of an ECSP steam cooling program that can be proposed for the next legislative session.

2. Continue to pursue a hybrid chiller incentive program with NYPA.

Summary of Activities, 3rd Quarter 2006:

1. NYCEDC has submitted a proposal to OMB for review. OMB contacted Con Edison for verbal clarification. OMB subsequently submitted information request to NYCEDC. Con Edison is assisting NYCEDC in preparing a response.

2. The Company made contacts to determine if NYPA was prepared to move forward with a hybrid chiller incentive program and was informed that NYPA was not ready.

Anticipated Activities, 4th Quarter 2006:

1. Continue working with the NYCEDC on response to OMB for development of an ECSP steam cooling program that can be proposed for the next legislative session.

2. Continue to pursue a hybrid chiller incentive program with NYPA.

Summary of Activities, 4th Quarter 2006:

1. We responded to a request from NYCEDC for further information for their communications with OMB.

2. Met with Tim Carey, Chairman of NYPA, and other NYPA representatives, to discuss the potential for NYPA to provide incentive for installation of hybrid chillers for NYPA customers. NYPA indicated that, while it cannot provide incentives, it will meet with the Port Authority of New York and New Jersey to discuss the potential of hybrid cooling at the World Trade Center.

Anticipated Activities, 1st Quarter 2007:

1. Work with NYCEDC to finalize proposed ECSP steam cooling program and to begin drafting legislation.

2. Follow up with NYPA on its discussions with the Port Authority.

Summary of Activities, 1st Quarter 2007:

1. As reported last quarter, we responded to an NYCEDC information request and we are awaiting their response regarding a steam ECSP program.

2. We met with NYSERDA to explore further enhancements to its steam cooling incentives.

3. We continue to hold meetings concerning the installation of steam chillers at the World Trade Center.

Work Plan No. SBDP-19
Develop a Framework for Long-term Contractual Relationships

Objective: Evaluate the potential to use long-term contracts to leverage the installation and operation of steam-based equipment.

Overall Completion Date: by March 2007

Summary of Activities, 1st Quarter 2006:

1. Initial discussions were held with customers about long-term negotiated service agreements to promote the installation of steam-based heating and DG equipment (e.g., steam microturbine).
2. Initial discussions were held with a microturbine equipment manufacturer to discuss a partnership for the installation of a microturbine at a Company location as a demonstration project.

Anticipated Activities, 2nd Quarter 2006:

Continue conversation on these and other similar opportunities.

Summary of Activities, 2nd Quarter 2006:

The Company engaged in a preliminary discussion with a major customer concerning the possibility of entering into a long-term SC-5 contract (up to 20 years) for multiple locations.

As part of the June 2nd Joint Proposal with the DPS Staff and other parties, the Company will be installing a back-pressure steam microturbine at the 74th Street Station to determine the project's feasibility.

Anticipated Activities, 3rd Quarter 2006:

If major customers express interest in pursuing this type of arrangement, SBD will work with Con Edison's Law department to determine the consistency of this type of arrangement with existing laws and regulations.

Summary of Activities, 3rd Quarter 2006:

The Company engaged in a preliminary discussion with another major customer concerning the possibility of entering into a long-term contract for multiple locations.

Anticipated Activities, 4th Quarter 2006:

Continue to meet with major customers in order to gauge interest in entering into long-term contracts.

Summary of Activities, 4th Quarter 2006

1. The Company engaged in a preliminary discussion with another existing major customer concerning the possibility of entering into a long-term contract for multiple locations.

2. To date, Con Edison has continued to attract and acquire new steam heating customers without having to offer long term contracts.

Anticipated Activities, 1st Quarter 2007

A progress report will be filed by March 1, 2007, as required by the Steam Business Development Plan.

Summary of Activities, 1st Quarter 2007

The progress report was filed with the Commission on March 1, 2007.

This Work Plan is complete.