STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

CASE 13-E-0030 –	Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Electric Service.
CASE 13-G-0031 –	Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Gas Service.
CASE 13-S-0032 –	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.
CASE 13-M-0376 –	Petition of Consolidated Edison Company of New York, Inc. for Approval of Proposed Distribution of a Property Tax Refund.
CASE 13-M-0040 –	Petition of Consolidated Edison Company of New York, Inc. for Approval of Accounting Treatment of the Proceeds of the Proposed Sale of Property.
CASE 09-E-0428 –	Proceeding on Motion of the Commission as to the Rates, Changes, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Electric Service.

NEW YORK STATE DEPARTMENT OF PUBLIC SERVICE STAFF STATEMENT IN SUPPORT OF THE JOINT PROPOSAL

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NEW YORK STATE DEPARTMENT OF PUBLIC SERVICE Staff
Statement in Support of the Joint Proposal

BACKGROUND

On January 25, 2013, Consolidated Edison Company of New York, Inc. (Con Edison or the Company) filed for changes in electric, gas and steam rates for the rate year ending December 31, 2014. As of Con Edison's June 23, 2013 update/rebuttal filing, the Company requested revenue requirement increases of $424.992 million, $25.87 million, and $10.544 million for its electric, gas, and steam services, respectively. In contrast, Department of Public Service Staff (Staff) recommended revenue requirement decreases of $146.359 million, $95.255 million and $10.156 million for the Company's electric, gas and steam businesses, respectively.

The major revenue requirement differences between Con Edison and Staff were related to the cost of capital, depreciation, and operation and maintenance (O&M) expenses.

OVERVIEW OF THE JOINT PROPOSAL

The Joint Proposal recommends that the Commission adopt a two-year electric rate plan and three-year gas and steam rate plans. This Statement in Support highlights certain features of the Joint Proposal and is not intended to provide a comprehensive review.

In contrast to recent significant revenue requirement increases in Commission adopted rate plans for Con Edison, the rate plans here call for no change in electric, gas or steam delivery revenues over the respective terms of the plans. This is accomplished by using the recommended rate year (RY) 1 revenue requirement decreases to offset the recommended RY2 and RY3 revenue requirement increases. The rate plans provide customers with short-term delivery rate stability and provide Con Edison with recovery of all costs necessary to continue the provision of safe and adequate service, as well as an opportunity to earn a reasonable return on its investments. The rate plans also allow the Company to focus its efforts on planning and operating its three utility businesses without the need to file for new rates in the immediate future.

Moreover, the Joint Proposal incorporates significant investments that will benefit customers. These investments include resiliency and system hardening, increasing natural gas leak prone pipe replacements, expansion of the low-income programs and an increased focus on oil-to-gas conversions. In addition, the Joint Proposal encourages distributed generation (DG) and includes strengthened safety, reliability and customer service performance metrics. The terms of the Joint Proposal support many of the Commission's policies and strike a balance between the interests of customers and investors. Based on a review of the extensive record in these proceedings, the terms of the Joint Proposal compare favorably with the likely outcome of litigation. Accordingly, the Joint Proposal meets the Commission's criteria for settlements and is, therefore, just, reasonable and in the public interest.[1]

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[1] Cases 90-M-0225 and 92-M-0138, Opinion, Order and Resolution Adopting Settlement Procedures and Guidelines, Opinion No. 92-2 (issued March 24, 1992), p.30.

Elements of the Joint Proposal

A. Rates and Revenue Levels

1. Electric

The Joint Proposal (Section B.1) recommends an annual revenue decrease of $76.192 million in RY1 and an annual revenue increase of $123.968 million in RY2.[2] The Parties propose levelizing the revenue requirement changes over the term of the rate plan and maintaining the level of electric revenues that current rates produce. The Company would defer the amounts of the annual electric revenue requirement changes each rate year. As a result, the amount to be deferred for customer benefit during the term of the rate plan would be approximately $30.1 million.

In consideration of the fact that the levelized rate approach would result in rates at the end of the rate plan that would be $47.776 million lower than rates would be if effectuated on a non-levelized cost-of-service basis, base rates in RY2 will increase by $47.776 million. During RY2 customers will see no impact because this increase will be offset by the application of an equivalent temporary credit. As such, at the end of the rate plan, the temporary credit will expire and electric delivery rates will be at the Joint Proposal's recommended cost-of-service. This ratemaking approach could facilitate the Company avoiding filing for new rates to be effective at the expiration of the rate plan.

a. Spent Nuclear Fuel Litigation Costs

The Company proposed to recover $10.2 million in litigation costs related to spent nuclear fuel from customers over three years, or $3.4 million on an annual basis. The rate plan includes recovery of approximately $5.1 million in Spent Nuclear Fuel litigation costs, over a three year period, or $1.7 million annually. This is reasonable because it equitably divides the costs of litigation between shareholders and customers.[3]

b. Sale of John Street Property

Con Edison proposed to credit customers with a portion of the proceeds, approximately $4.5 million, related to the gain on the sale of its John Street property. Under the Company's proposal, the allocation of the gain between customers and the Company reflected the relative

[2] Attached as Appendix A, is an electric revenue reconciliation comparing current electric revenues to the revenue requirement level in RY1 as well as a reconciliation comparing the change between RY1 and RY2.

[3] Had the litigation been successful, it may have resulted in a benefit for shareholders and customers. Therefore, a reasonable solution to these costs is to divide them between the Company and customers.

costs borne by each since 1996 when the property was reclassified as non-utility property. Staff recommended that the Company retain only the carrying costs, inclusive of interest, on the property since 1996, as well as the property taxes since 2008, and that the remainder of the sale proceeds, approximately $5.4 million should be credited to customers. Consistent with past Commission practice, the Joint Proposal recognizes that benefit should follow burden, and that customers bore a greater share of the costs and risks associated with the property. The Joint Proposal reflects a credit to customers of $4.9 million[4] from the sale proceeds, or approximately $0.4 million greater than initially proposed by the Company.

c. PJM Open Access Transmission Tariff (OATT) Charges

The Joint Proposal reflects the disposition of two issues regarding the PJM OATT costs: the prudence of the PJM OATT service taken by the Company and the allocation of the costs among customers. It would also dispose of the Company's petition for rehearing on the February 2013 Order in Case 09-E-0428.[5] The signatory parties' proposal would allow Con Edison to recover the PJM OATT costs, as there is ample evidence in these proceedings that the service is both prudent and necessary to ensure reliability of the delivery system. The parties propose that the Company only be allowed to recover such costs incurred after the expiration of the 2010 Electric Rate Plan, or as of April 1, 2013. In addition, the Joint Proposal requires Con Edison to allocate the PJM OATT costs between its standard customer classes and the NYPA delivery class based on the percentage allocation of Transportation &Distribution (T&D) revenues included in the revenue allocation for each rate year, with an annual cap of $4.6 million applied to NYPA. The PJM OATT service provides reliability benefits to all of Con Edison's delivery customers, including NYPA, by enabling the Company to satisfy the N-1-1 transmission criterion.

2. Gas

The Joint Proposal (Section B.1) recommends an annual revenue decrease of $54.602 million in RY1, an annual revenue increase of $38.620 million in RY2, and an additional annual

4 The $4.9 million would be recovered over a three year period or $1.6 million annually.

5 Case 09-E-0428, Con Edison – Electric Rates, Order Denying Petition for Recovery of Charges (issued February 14, 2013).

revenue increase of $56.838 million in RY3.[6] The Parties propose levelizing the revenue requirement changes over the term of the rate plan and maintaining the level of gas revenues that current rates produce. The Company would defer the amounts of the annual gas revenue requirement changes each rate year. As a result, the amount to be deferred for customer benefit at the end of the rate plan would be approximately $32.265 million.

In consideration of the fact that the levelized rate approach would result in rates at the end of the rate plan that would be $40.856 million lower than rates would be if effectuated on a non-levelized cost-of-service basis, base rates in RY3 will increase by $40.856 million. During RY3 customers will see no impact because this increase will be offset by the application of an equivalent temporary credit. As such, at the end of the rate plan, the temporary credit will expire and gas delivery rates will be at the Joint Proposal's recommended cost-of-service. This ratemaking approach could facilitate the Company avoiding filing for new rates to be effective at the expiration of the rate plan.

a. Revenue Decoupling Mechanism (RDM)

The RDM will continue to be based on a revenue per customer (RPC) methodology. Staff supported the Company's proposal to include oil-to-gas conversion customers in the RDM calculation, since these customers would be added to existing service classes that are subject to the RDM mechanism. The continued use of a RPC methodology permits the Company to benefit from additional growth in customers beyond forecasted levels, and protects firm customers from lower than projected growth while at the same time achieving the goal of decoupling reduced usage per customer from the Company's revenues.

b. Non-Firm Revenues

The Joint Proposal increases the current imputation from $53 million to $65 million, which more appropriately reflects the actual historic level of non-firm revenue over the last five years and immediately increases the benefit to firm customers. Additionally, the Joint Proposal changes the sharing above the imputation level. The Company no longer receives 100% of the first five million dollars of additional revenue, but rather shares revenues above the imputation by allocating 85% to firm customers and 15% to the Company as an incentive for good business practices to maximize non-firm revenue. The Joint Proposal also provides the Company full

[6] Attached as Appendix B, is a gas revenue reconciliation comparing current gas revenues to the revenue requirement level in RY1 as well as reconciliations comparing the changes between RY1and RY2, and RY2 and RY3.

recovery of any non-firm revenue shortfall below the imputation should abnormal market conditions cause non-firm revenues to drop below the agreed upon imputation.

c. Lost and Unaccounted For Gas (LAUF)

Staff and the Company's litigated positions reflect the use of consistent Line Loss Factor (LLF) methodologies. However, Staff determined that the line losses associated with transmission pipes serving generators needed further study. The Company agreed to perform this study during the first year of the rate plan and report the results of this study and any recommendations to the Commission. Similarly, while the volumes that flow through the New York Facilities System (which Con Edison shares with the National Grid downstate gas companies) are not included in the LLF calculation, a collaborative will be held between Con Edison and National Grid to determine how the losses associated with this system should be treated. The result of such discussions and any recommendations will also be filed with the Commission.

d. Transco Heater/Odorization Project

The Joint Proposal acknowledges a need for additional heating and odorization to accommodate the increase in gas from the North East Supply Link Project and to satisfy certain safety requirements. Since the final costs are uncertain at this time, the Joint Proposal provides that Con Edison can submit a tariff filing to the Commission before it is allowed to recover any cost through the Gas Cost Factor, Monthly Rate Adjustment and/or Weighted Average Cost of Commodity. Accordingly, Staff will have an additional opportunity to review the Company's costs for this project and make recommendations to the Commission before the Company is allowed to recover any costs associated with this project.

e. Oil-to-Gas Conversions

In addition to the continuation of the Company's oil-to-gas incentive program, which provides financial support to residential and commercial customers/applicants opting to convert to natural gas, the Joint Proposal also introduces several new initiatives geared towards encouraging oil-to-gas conversions to phase-out the use of heavy heating oil known as "No. 6" and "No. 4", by 2015 and 2030, respectively.

Specifically, the Joint Proposal recommends that Con Edison: provide milestones/timelines to each applicant to allow them to track their respective conversions; file a report with the Commission on a quarterly basis describing conversion activity; provide maps of anticipated Area Growth Zones and make such maps accessible to the public; review and grant requests in writing by applicants made before the expiration of the sixty-day period, for extensions of up to thirty days, to complete the customer commitment portion of the conversion; and provide additional detail and specificity of the breakdown of costs to the applicants. The inclusion of these additional commitments should enhance the Company's efforts to convert users of No. 4 and No. 6 fuel oil to natural gas as expeditiously as practicable, thereby allowing the achievement of environmental and economic benefits for customers and residents of New York City.

f. Vent Line Protection Device (VLP) Testing

The Company sought to install VLPs on high pressure gas services in flood prone areas. Since VLPs do not have an operational track record in the field, Staff raised concerns about the actual operation and longevity of these devices. Balancing both sides of the argument, the Joint Proposal allows for the funding and installation of the devices, but requires Con Edison to remove five-percent per year to be evaluated and tested by an independent third-party. This testing should help determine whether VLPs are a viable alternative in the prevention and mitigation of water intrusion during flood events.

3. Steam

The Joint Proposal (Section B.1) recommends an annual revenue decrease of $22.358 million in RY1, an annual revenue increase of $19.784 million in RY2, and an additional annual revenue increase of $20.270 million in RY3.[7] The Parties propose levelizing the revenue requirement changes over the term of the rate plan and maintaining the level of steam revenues that current rates produce. The Company would defer the amounts of the annual steam revenue requirement changes each rate year. As a result, the amount to be deferred for customer benefit at the end of the rate plan would be approximately $8.158 million.

In consideration of the fact that the levelized rate approach would result in rates at the end of the rate plan that would be $17.696 million lower than rates would be if effectuated on a non-levelized cost-of-service basis, base rates in RY3 will increase by $17.696 million. During RY3 customers will see no impact because this increase will be offset by the application of an equivalent temporary credit. As such, at the end of the rate plan, the temporary credit will expire

7 Attached as Appendix C, is a steam revenue reconciliation comparing current steam revenues to the revenue requirement level in RY1 as well as reconciliations comparing the changes between RY1and RY2, and RY2 and RY3.

and steam delivery rates will be at the Joint Proposal's recommended cost-of-service. This ratemaking approach could facilitate the Company avoiding filing for new rates to be effective at the expiration of the rate plan.

a. Gas Additions for 59th Street and 74th Street Steam Generating Stations

Con Edison proposed to recover approximately $1.71 million in carrying charges that accrued prior to January 1, 2014, associated with the Company's fuel conversion project at its 59th Street and 74th Street steam production plants. The carrying charges represent the return of, and on, the plant addition from its in-service date to its inclusion in steam rate base in this proceeding. Since customers have benefitted from the fuel conversion project since the converted steam production plants entered into service through lower fuel costs, the Joint Proposal allows the Company to collect a portion of the carrying charges associated with the Company's fuel conversion project that accrued prior to January 1, 2014. The Joint Proposal reflects the recovery of $0.9 million in carrying charges over a three year period or approximately $0.3 million annually.

b. Base Cost of Fuel

The current base cost of fuel is $10.049 per Mlb, which is recovered in steam base rates. Monthly variations between the base cost and actual cost are reconciled through the steam Fuel Adjustment Clause. The Joint Proposal decreases the base cost of fuel by $2.700 per Mlb. This decrease is based on an average of 24 months of data, specifically the actual monthly fuel costs and equivalent sales for the twelve months ended November 2013 and the Company's forecasted monthly fuel costs and equivalent sales for RY1. This approach is consistent with Staff's litigated position, which results in the base cost of fuel reflecting the Company's latest known fuel costs.

c. Uncollectible Expense

The Joint Proposal reflects an annual rate allowance for uncollectible expense in the amount of $425,000. Further, the Joint Proposal provides that if the actual aggregate uncollectible expense during the term of the rate plan exceeds $2.5 million, the Company will be allowed to defer the amount by which the aggregate write-offs exceed $1.275 million. This provision is more favorable than the existing uncollectible accounts write-offs provision. Under the current provision if the actual uncollectible accounts write-offs exceed $1.0 million in any rate year, the Company will be allowed to defer the amount by which the write-offs exceed

$0.250 million. Therefore, the provision included in the Joint Proposal benefits customers by increasing the threshold that must be met by the Company to defer any write-offs for future recovery and measures the write-offs on an aggregate basis over the term of the rate plan as opposed to an annual basis.

d. Steam Trap/Cap Replacements

The Joint Proposal provides for the continuation of annual steam trap replacements, but allows the Company to discontinue the biannual steam trap cap inspections. Con Edison developed new trap assemblies containing strainers which remove debris prior to reaching the steam traps. Experience has shown the trap assemblies to be effective in mitigating the possible safety risk of any debris in the system reaching, and clogging, the steam traps. Therefore, the cap inspection should be discontinued, which will save customers approximately $200,000 per year.

4. Common Items

a. Cost of Capital

The Joint Proposal reflects revenue requirements that incorporate overall cost of capital rates, which vary from year to year. These variations are due to projected increases in the cost of debt through 2016, and also recognize the higher cost of equity associated with the longer term nature of the two-year electric and three-year gas and steam rate plans. The overall cost of capital for the electric business is 7.05% in RY1 and 7.08% in RY2. For the gas and steam businesses, the overall cost of capital is 7.10% in RY1, 7.13% in RY2, and 7.21% in RY3.

i. Return on Equity (ROE)

The Joint Proposal reflects the Commission’s methodology regarding the cost of equity, with allowances made for the Company’s acceptance of some terms that increase its potential exposure to earnings shortfalls. Additionally, the Joint Proposal provides the Company with stay-out premiums that recognize the increased financial risk inherent in setting rates over periods longer than one year. The allocation of risk and the rates of return in the Joint Proposal reasonably balance the return requirements of the Company’s investors in the current economic climate, and the expectations of customers to receive safe and adequate service at just and reasonable rates.

The Joint Proposal incorporates a 9.2% ROE for electric and a 9.3% ROE for gas and steam. The proposed ROEs are significantly lower than the 11.1% multi-year ROE advocated by the Company. The 48.0% common equity ratio employed by the Joint Proposal is identical to the common equity ratio recommended by Staff and is lower than the Company's requested common equity ratios of 50.06% in RY1, 49.18% in RY2 and 48.68% in RY3. The Joint Proposal also reflects updated projected cost rates for new issuances of long-term debt. Ultimately, the Company accepted Staff's proposal that only the costs associated with the Company's tax-exempt debt be reconciled, rather than the overall long-term debt cost rate advocated by the Company.

ii. Cost of Long-Term Debt

Largely due to projected increases in the cost of the Company's variable rate tax-exempt debt, all three rate plans reflect a long-term debt cost rate of 5.17% in RY1 and 5.23% for RY2; while the gas and steam rate plans reflect a rate of 5.39% for RY3. While the embedded cost rate of the Company's unsecured debt is not projected to vary much over the course of rate plans, it is highly likely that the interest rates on the Company's variable rate tax-exempt debt will rise. Due to actions of the Federal Reserve Bank to stimulate the economy, short-term interest rates have been at historically low levels for several years, and are now expected to rise in conjunction with expectations of real and sustained growth in the overall economy. Accordingly, the weighted cost rates associated with the Company's variable rate tax-exempt debt is forecasted to increase from 0.38% in RY1 to 1.11% in RY2 and 2.42% in RY3.

Additionally, because forecasting short-term interest rates remains highly unpredictable, and because the cost rates associated with the Company's variable rate debt is almost entirely out of the Company's control, the Joint Proposal provides that the cost rate of the Company's variable rate tax-exempt debt be trued-up. If the increases in short-term rates contemplated by the Signatory Parties do not materialize, or if the actual increases turn out to be less dramatic, the true-up will ensure that customers will be made whole.

b. Labor

i. Employee level

Con Edison proposed a rate year forecast of labor expense based on an employee headcount of 13,824 employees. Staff proposed a rate year forecast of labor expense based on an employee headcount of 13,323 employees.[8] The rate year forecast of labor expense included in

8 The difference in the requested incremental employees between the Company and Staff is due to the fact that 44 of the requested incremental employees are included in the December 2012 employee headcount.

the Joint Proposal relies on an employee headcount of approximately 13,472 employees. The employee headcount is reasonable because it relies on the latest known actual employee levels.

ii. Productivity

The rate year forecast of labor expense in the Joint Proposal reflects Staff's litigated position and uses a one percent annual productivity factor from the end of the historic test year through the rate year. This approach results in a reasonable proxy for an amount of unspecified productivity gains to be reflected in rates, is consistent with previous Commission practice and provides customers with significant productivity gains.

c. Non-Officer Management Variable Pay

The Joint Proposal provides that when the Company undertakes a comparative study of its compensation/benefits to support its next rate case, it will conduct the study so as to achieve at least 50% matching of positions, or more, to the extent practicable, in a blended peer group of Utilities and New York Metropolitan employers. The Joint Proposal's provisions regarding non-officer management variable pay are reasonable. The requirement that future management compensation studies rely on a single blended peer group of both utility and New York Metropolitan employers will likely strengthen the analysis by increasing the number of positions that are matched. In addition, the Joint Proposal's management compensation study methodology requires the Company to provide an explanation for the exclusion of any Company position from future benchmarking studies. This will make the Company's next management compensation study more transparent and easier to evaluate.

d. Health Insurance

Con Edison proposed to use plan-specific escalators, developed by its health care plan providers, to forecast health insurance costs for the rate years. Consistent with past Commission practice, the Joint Proposal reflects the use of the Company's latest known costs, including those fees expected under the Affordable Care Act, escalated by rate of general inflation.[9] This methodology will encourage the Company to carefully manage its future health insurance costs and to keep increases to the general inflation rate. In addition, the rate year forecasts reflect the use of projected 2014 enrollment levels. Accordingly, the Joint Proposal properly forecasts the rate year health insurance costs based on the projected enrollment level and the general rate of

[9] Case 07-E-0423, Con Edison - Electric Rates, Order Establishing Rates for Electric Service (issued March 25, 2008) (2008 Rate Order), pp. 42-43.

inflation to provide the Company with a reasonable level of cost recovery.

e. Pension and OPEBs

Con Edison's rate year forecast for pension expense included $11.232 million associated with the Company's Supplemental Retirement Income Plan (SRIP). Since the Company's management compensation study did not include any evidence to support the cost of program as being a reasonable component of compensation, Staff recommended removing the SRIP from the Company's rate year forecast of pension expense as well as the related capitalization ($127.127 million) supporting the SRIP from rate base. The Joint Proposal reflects $5.6 million associated with the Company's SRIP in the rate year forecast of pension expense and $63.564 million of the capital supporting the plan. The Joint Proposal divides the costs associated with SRIP, which historically have been entirely borne by customers.

f. Interference

In their litigated positions, the Company and Staff differed over the methodology that should be used to forecast company-wide interference O&M expense and capital expenditures. The Joint Proposal divides the difference between Staff's and Con Edison's forecasts. The interference O&M expense and capital expenditure forecasts are reasonable because they should provide the Company with the ability to address relocating its facilities to accommodate any municipal work performed during the course of the rate plans, particularly in light of the proposed reconciliation mechanisms.

g. Austerity Adjustment

The Company proposed to include an imputation for austerity that increased its rate year forecasts of O&M expense.[10] Con Edison claimed the imputation was necessary to restore the level of funding for operating programs to the level that was allowed prior to the Commission's requirement that utilities reduce program spending as an austerity measure. The Joint Proposal does not include the Company's proposed austerity adjustment in the rate year forecasts of O&M expense. This is consistent with Commission Policy since the austerity cost allowance lacked a verifiable link between the historic test year and the rate year. Furthermore, the need and nature of the costs were unsupported.

[10] $13.2 million Electric, $2.0 million Gas and $1.5 million Steam.

h. Uncollectible Expense - Purchase of Receivables (POR)

The Joint Proposal reflects Staff's recommendation that rate year electric and gas uncollectible expense associated with accounts receivable purchased from Energy Service Companies (ESCOs) be based on Con Edison's actual uncollectible write-off experience. Consistent with the rate year forecast of electric and gas POR discount revenues, the Joint Proposal reflects ESCO accounts receivable purchased during the twelve-month period June 30, 2013. This results in updated rate year electric and gas uncollectible POR accounts expense forecasts of $7.174 million and $1.364 million, respectively. In contrast, the Company, sought rate allowances of $9.084 million and $1.471 million, respectively.

i. Project One

Con Edison has invested roughly $146 million in Project One, which is an enterprise-wide software system. The system allows the Company to develop business plans and budgets, record financial transactions and analyze data, purchase materials and services, manage inventory and report financial and purchasing data. According to Con Edison, the project was undertaken to improve reliability, timeliness and transparency of financial data, reduce financial reporting risk, and enhance cost management practices. Due to the size and scale of the implementation and the continuing process of stabilizing Project One, the Company indicated it may take a number of years to recognize efficiencies. Thus, Con Edison's rate year forecasts did not reflect any savings related to the implementation of Project One. The rate year forecasts in the Joint Proposal reflect $3.27 million[11] in savings related to Project One which provides customers with a reasonable level of savings as a result of supporting this significant Company investment.

j. Sales Forecasts

i. Electric

The electric sales forecasts reflected in the Joint Proposal are 57,986 Gigawatt hours (GWhs) and 58,088 GWhs for RY1 and RY2, respectively. These forecasts are higher than the Company's forecasts included in its testimony, equivalent to an increase of $22.134 million in delivery revenues forecasted for each year. In comparison to the forecasts included in Staff's testimony, the Joint Proposal's sales forecasts for the rate years are lower, accounting for the effects of the latest economic conditions and actual sales data. While the Company would be

[11] $2.654 million Electric, $0.432 million Gas, and $0.185.

made whole through the RDM for variations in revenue resulting from actual sales differing from forecasts, the Joint Proposal includes a sales forecast that reflects the most recent information, which should tend to minimize substantial RDM adjustments during the term of the proposed rate plan.

ii. Gas

While the customer forecast incorporated in the Joint Proposal reflects a compromise between Staff's and the Company's forecasts, it accounts for future factors that affect gas sales, such as oil-to-gas conversions, and is closer to Staff's forecast of gas revenues, volumes, and customer bills for RY2 and RY3. Specifically, the gas sales forecast reflects the Company's forecast with the addition of 50% of the variation between the Company's and Staff's forecast of the number of bills, for RY1. For RY2, however, the gas sales forecast reflects the Company's RY2 forecast with the addition of 100% of the RY1 number of bills variation between Staff and the Company. This addition of 100% of the RY1 variation results in a RY2 forecast that is closer to Staff's RY2 forecast. Similarly, for RY3, the gas sales forecast reflects the Company's RY3 forecast with the addition of 150% of the RY1 number of bills variation. Again, this addition of 150% of the RY1 difference results in a RY3 forecast that is closer to Staff's RY3 forecast than to the Company's.

iii. Steam

The steam sales forecast incorporated in the Joint Proposal adopts staff's proposed use of a more accurate ten year weather normalization methodology rather than the previously used 30 year normalization period. Staff expects that the ten year weather normalization methodology will more accurately reflect the impact of weather upon steam sales. The proposed sales forecast includes Staff's price elasticity adjustment, which should result in a more accurate estimate of the impact of steam price changes upon steam sales.

k. Consultant and Regulatory Commission Expense

The Joint Proposal reflects $1.3 million or one-half of the disputed amount of Consultant and Regulatory Commission expenses associated with the Commissions investigative audit.[12] This is a reasonable outcome since it recognizes that customers should not be required to bear all

[12] Case 09-M-0243, Comprehensive Investigative Accounting Examination of Con Edison, and Case 09-M-0114, Proceeding on Motion of the Commission to Examine the Prudence of Certain Capital Program and Operation and Maintenance Expenditures by Con Edison.

the costs stemming from the audit and at the same time acknowledges the Company's concern that a similar, but unanticipated, cost could arise during the course of the rate plans.

B. Computation and Disposition of Earnings

The Joint Proposal provides for earnings sharing thresholds set at 60 basis points above the recommended ROE in each of the rate years, or 9.8% for electric and 9.9% for gas and steam. Earnings above the respective thresholds would be deemed "shared earnings" for the purposes of the Joint Proposal. Earnings above the respective thresholds up to and including 10.45% for electric (10.55% for gas and steam) would be shared equally (50%/50%) between customers and the Company. Earnings above 10.45% for electric (10.55% for gas and steam) and up to and including 10.95% for electric (11.05% for gas and steam) would be shared 75%/25% between customers and the Company, respectively. Finally, earnings in excess of 10.95% for electric (11.05% for gas and steam) would be shared 90%/10% between customers and the Company, respectively.

The provision for the Earnings Sharing Mechanism (ESM) would continue beyond 2015 for electric, and beyond 2016 for gas and steam, until the respective rates are reset in subsequent rate proceedings, thereby assuring customers will continue to share in efficiency gains beyond the respective expiration dates of the rate plans. The use of earnings sharing thresholds and the tiered nature of the ESM is consistent with prior multi-year rate plans approved by the Commission. Similarly, the actual threshold levels and the widths of the sharing bands are also generally consistent with past practice. The use of ESMs is beneficial to customers because it provides the Company with a financial incentive to control its costs, while providing customers an opportunity to share in these efficiency gains. Finally, by providing that 90% of all earnings 175 basis points above the authorized ROEs are credited to customers, the ESM provides a significant safeguard against any potential for excessive earnings by the Company.

C. Capital Expenditures and Net Plant Reconciliation

1. Electric

a. Net Plant Reconciliation

The Joint Proposal incorporates Staff's position on the continuation of a downward-only net plant reconciliation for three major categories: (1) Transmission and Distribution (including Municipal Infrastructure Support); (2) Storm Hardening; and, (3) Other (comprised of Electric Production and Shared Services). This reconciliation mechanism provides customers with important protections against under-spending that would otherwise not be captured through traditional rate making. The continuation of the downward reconciliation mechanism balances the fact that the Company's forecasted budgets have contingency factors that in many cases come in much lower than its actual spending. In addition, it is consistent with the downward reconciliation mechanism that is currently in place under the existing electric rate plan.

b. Capital Expenditures for Brooklyn Networks Load Growth

Following the closure of the record in these proceedings, the Company's forecast of Summer 2014 peak loads in Brooklyn networks identified peak demand growth in sections of Brooklyn that will require capital investment in order to maintain reliability, with investments beginning in 2014. The Joint Proposal recommends that the Company utilize non-traditional programs that facilitate the use of distributed resources to reduce the identified investment needs. Such programs will seek to further the deployment of advanced technologies, and could include utility and customer-side resources. The Company will meet with Signatory Parties before implementation to discuss the solutions so that interested Signatory Parties can provide feedback. This provision would allow these distributed resources to be used to maximize both the individual customer's and system benefits of their deployment. Such actions are an initial step toward one or more of the Commission's core policy outcomes that it expressed in its December 26, 2013 Order in Case 07-M-0458 which addressed a comprehensive inquiry and redesign of the electric distribution utilities. In addition, this approach should result in a more cost effective and timely solution which will benefit customers.

c. Westchester Outage Management Pilot

Con Edison was previously developing a pilot project to install a fixed network communication over some of the existing Automated Meter Reading (AMR) meters in Westchester with the primary focus on outage management. The pilot was intended to evaluate the viability of using advanced meters with a communications network to provide the Company with more granular detail regarding customer outages.

This pilot would be accelerated and expanded under the terms of the Joint Proposal. Beginning in 2014, the Company will implement a two-phase pilot program to test the ability of a networked AMR and/or Advanced Metering Infrastructure (AMI) system to assist in more timely identification of customer outages and improve overall outage response and efficiency. Phase one of the pilot program will consist of approximately 6,200 meters, and will seek to leverage existing AMR meter assets in Westchester County. The Company will evaluate the data generated in phase one to determine whether to move forward with phase two. If the Company determines to move forward with phase two, phase two would consist of expanded and longer duration testing in two areas – one in Westchester County, incorporating approximately 30,000 meters, and one within New York City, with the number of meters to be determined. This pilot addresses the interests of the Commission's Smart Grid Policy Statement.[13] It also addresses the concerns expressed by the NYC and others regarding the Company's ability to determine the extent and location of electric outages.

2. Gas

a. Net Plant Reconciliation

The Joint Proposal incorporates Staff's position on the continuation of a downward-only net plant reconciliation for two major categories: (1) Delivery (including Municipal Infrastructure Support); and, (2) Storm Hardening. This reconciliation mechanism provides customers with important protections against under-spending that would otherwise not be captured through traditional rate making. The continuation of the downward-only reconciliation mechanism balances the fact that the Company's forecasted budgets have contingency factors that in many cases come in much lower than its actual spending. In addition, it is consistent with the downward-only reconciliation mechanism that is currently in place under the existing gas rate plan.

The Joint Proposal also reflects the continuation of an upward reconciliation for gas Municipal Infrastructure expenditures subject to a $10 million cap. This reconciliation accommodates the recovery of interference capital costs outside the Company's control in excess of the total net plant targets reflected in rates.

b. Oil-to-Gas Conversions Net Plant Reconciliation Adjustment

Many of the Signatory Parties share a common policy goal of encouraging oil-to-gas conversions. By allowing the Company the full amount of requested dollars associated with adding new oil-to-gas conversion customers in each of the three rate years, Con Edison should not only achieve its forecasted number of oil-to-gas conversions, but also exceed those forecasts based on Staff's assessment of the actual unit costs associated with services and mains. To

[13] Case 10-E-0285, Smart Grid Systems and Modernization of the Electric Grid, Smart Grid Policy Statement (issued August 19, 2011).

further ensure the Company does meet, at a minimum, 90% of its forecasted number of oil-to-gas conversions in each of the rate years, the Joint Proposal incorporates an explicit performance mechanism aimed at ensuring that not only does the capital expenditures dedicated to this program go exclusively towards oil-to-gas conversions, but also that the Company attach a certain number of customers that are included in its revenue forecasts.

Specifically, if the Company installs less than 90% of its service installation and spends less than 90% of its oil-to-gas capital expenditures, the Company would be required to defer carrying charges on the difference between an average net plant balance assuming the forecasted capital expenditures for oil-to-gas conversions and the actual net plant based on the actual lower capital expenditures for oil-to-gas conversions. Similarly, if the Company installs 90% or more of its service installation targets but spends less than 90% of the forecasted capital for oil to gas conversions, the Company would be required to defer carrying charges on the difference between an average net plant balance assuming the forecasted capital expenditures for oil-to-gas conversions and the actual net plant based on the actual lower capital expenditures for oil-to-gas conversions. Finally, if the Company installs less than 90% of its service installations but spends 90% or more of its forecasted capital expenditures for oil-to-gas conversions, the Company would be required to provide a root cause analysis to the Commission detailing why the capital expenditures were higher than forecasted and why the number of installations were lower than forecasted and what corrective actions it plans on implementing for the next rate year.

c. Leak-Prone Pipe Replacement in Flood Prone Zones

The Joint Proposal initiates a new reliability program aimed at the removal of leak-prone pipe in flood prone zones as follows: RY1- 2 miles, RY2- 3 miles and RY3- 4 miles. This replacement program will target cast iron and bare steel pipe that is incremental to the safety related main replacement program already included in the Company's existing capital budgets. Staff initially opposed a separate reliability program related to leak-prone pipe in flood prone zones in RY1. However, this is a multi-year settlement and this new program could potentially mitigate customer outages due to water infiltration into the low pressure system during major storm events. Accordingly, Staff now supports the initiation of this new program as a important addition to the Company's multi-year storm-hardening efforts.

3. Steam

a. Net Plant Reconciliation

The Joint Proposal incorporates Staff's position on the continuation of a downward-only net plant reconciliation for two major categories: (1) Steam Production and Steam Distribution (including Municipal Infrastructure Support); and, (2) Storm Hardening. This reconciliation mechanism provides customers with important protections against under-spending that would otherwise not be captured through traditional rate making. The continuation of the downward reconciliation mechanism also accounts for the fact that the Company's forecasted budgets have contingency factors, meaning that in many cases actual spending may be lower than the forecasted budget. In addition, it is consistent with the downward reconciliation mechanism that is currently in place under the existing steam rate plan.

4. Storm Hardening and Resiliency Collaborative

In testimony, Staff recommended that the Commission institute a collaborative to examine storm hardening and the resiliency of Con Edison's electric, gas and steam delivery systems to ensure that, in the future, the Company's energy delivery systems are well positioned to weather the increasing likelihood of substantial and damaging storms, such as Superstorm Sandy. Staff recognized that, for our storm hardening and resiliency examination efforts to be most effective, we would need to analyze and address these issues in a process that is both longer-term and more flexible than the typical 11-month rate case process. In its rebuttal/update testimony the Company agreed to such a collaborative.

The collaborative has and will continue to exchange ideas, information and proposals regarding the resiliency-related issues which many parties presented in their testimony in these proceedings. While the Signatory Parties recommend that the Commission adopt the forecasted storm hardening expenditures therein, the collaborative should continue to discuss the appropriate storm hardening and resiliency measures for rate years two and three. The signatories to the Joint Proposal request that the Commission direct the continuation of the collaborative. The Joint Proposal lays out in detail the process for such discussions and a Company filing with the Commission addressing the proposals that come out of the collaborative, for Commission consideration. The Joint Proposal provides that the Commission would also address the recovery of incremental costs associated with any recommendations.

D. Reconciliations

The Joint Proposal contains a number of provisions regarding reconciliations of specific Company costs. Except for the discontinuation of a few reconciliations no longer needed, the Joint Proposal continues most the reconciliation mechanisms for various costs, including property taxes, interference and major storm costs which are discussed below, adopted by the Commission in its prior Rate Orders.

1. Property Taxes

The Joint Proposal would limit the reconciliation for property tax variances to 90% of the difference between the rate allowances for property taxes reflected in the annual revenue requirements and Con Edison's actual property taxes, subject to a cap of 10 basis points on common equity for each rate year. This provision is similar to the one adopted by the Commission in the 2010 Electric Rate Order. The reconciliation provides for a symmetrical reconciliation which allows the Company to defer variations for recovery from or credit to customers. During the term of the Company's prior electric rate plan, this provision resulted in substantial benefits to customers, specifically, approximately $250 million in deferred credits as a result of lower than forecasted NYC property taxes. While there is no guarantee that such material credits will again inure to customer benefit, the provision provides protection to both the Company and customers for an expense that is approximately 20% of the Company's revenue requirements.

2. Municipal Infrastructure Support (Other Than Company Labor)

Although Con Edison is required to perform interference work at the behest of municipalities, the proposal recognizes that the Company does have a reasonable degree of control over its interference expenditures. Therefore, the Joint Proposal provides an incentive for the Company to control its interference expenditures.

For each rate year, the Joint Proposal would require a 100% downward reconciliation and allow an 80% customer / 20% Company reconciliation for expenses up to 30% over the amount allowed in rates. The Company would be allowed to continue deferring 80% of expenses beyond the 30% band for future recovery from customers only if such increased expenses are due to the following projects: (a) projects of the City of New York or any other governmental entity for purposes of increasing resiliency to storms; (b) the New York City DEP Combined Sewer

Overflow projects; or, (c) the construction of major new public works or infrastructure projects with total costs in excess of $100 million.

Given Staff's concern about potential over-collections of interference expenses, the 100% downward reconciliation, together with the utilization of a forecast that recognizes 50% of the variation between Staff and the Company, customers are adequately protected from over-collection of Interference expense. The Joint Proposal's provision for a partial upward reconciliation properly balances the fact that Con Edison does not have complete control over the interference work it must undertake, with Staff's concern that a 100% upward reconciliation would remove a useful incentive for the Company to perform the required interference work efficiently. Neither customers nor the Company bear sole responsibility for any Interference expense incremental to the forecasted level, while the 80%/20% split of incremental expense and the cap on any potential deferral appropriately provides an incentive for the Company to minimize these expenditures.

3. Major Storm Cost Reserve (Electric)

The Joint Proposal allows the Company to continue charging incremental non-capital major storm costs to the major storm reserve and implements new procedures, contained in Staff's litigated case, intended to discipline the cost recovery process. Recent storms have shown that costs can rise to very significant levels. Without these new provisions, the Company's actions could result in the less efficient use of resources resulting in even higher costs to customers. For example, without a storm deductible, customers could end up paying for certain O&M expenditures twice, once through base rates which include recovery of on-going O&M programs, and again through the incremental major storm expense deferral.

E. Additional Rate Provisions

1. Depreciation Rates and Reserves

a. Electric

Compared to Staff's litigated position, the Joint Proposal reflects reduced service lives for six accounts by five years. The service lives contained in the Joint Proposal still further Staff's goal of moving the current service lives toward the expected lives, based on the data provided in the Company's depreciation study in this case. Compared to Staff's litigated position, the Joint Proposal reflects increased negative salvage rates for fifteen accounts, proposing to maintain the current negative salvage rates. The current negative salvage rates are lower than the rates incorporated in the Company's rate filing. Furthermore, compared to the net salvage rates in the Company's filing, maintaining the current net salvage rates for these fifteen accounts represents a step towards Staff's litigated proposal to set net salvage rates as indicated by current experience. The average service lives and net salvage rates incorporated in the Joint Proposal continue to support eliminating Con Edison's current and proposed electric reserve deficiency amortizations. In total, the Joint Proposal's electric depreciation rates encompass approximately 75% of Staff's litigated position.

b. Gas

Similar to the Joint Proposal's treatment of electric net salvage rates, compared to Staff's litigated position the Joint Proposal reflects increased net salvage rates for four accounts, maintaining the current net salvage rates. The current net salvage rates are still lower than the rates proposed by Con Edison. Compared to the net salvage rates in the Company's filing, maintaining the current net salvage rates for these four accounts represents a step towards Staff's proposal to set net salvage rates as indicated by current experience. In total, the Joint Proposal's gas depreciation rates encompass approximately 50% of Staff's litigated position.

c. Steam

The Joint Proposal reflects all of Staff's original steam depreciation rate recommendations.

2. Property Tax Refunds and Credits

a. Prospective Refunds and Credits

The property tax sharing and reconciliation provisions provide additional incentives for the Company to minimize its property tax liability. As discussed further below, Con Edison has realized savings for customers by successfully challenging real property assessments during the term of the 2010 Electric Rate Plan, particularly in New York City. Characteristic of other prior rate plans for Con Edison,[14] any property tax refunds, including credits against tax payments, received by the Company as a result of its efforts will be shared 86%/14% between customers and shareholders after netting of incremental costs incurred by Con Edison to achieve the refunds or credits. This provision is separate and distinct from the benefits of fundamental taxation

[14] Case 09-E-0428, Con Edison – Electric Rates, Order Establishing Three-Year Electric Rate Plan (issued March 26, 2010) and Case 09-S-0794 and 09-G-0795, Con Edison – Steam and Gas Rates, Order Establishing Three-Year Steam and Gas Rate Plans and Determining East River Repowering Project Cost Allocation Methodology (issued September 22, 2010).

changes discussed above and intended to preclude Con Edison from compounded recovery of benefits. Additionally, Con Edison is not precluded from requesting a greater share of lower than projected property tax expense if its efforts result in fundamental taxation changes (*i.e.*, reclassification of property in New York City), which produce substantial net benefits. Due to the complexities involved with this issue, this treatment of property taxes is reasonable.

The Joint Proposal's recommendation does not change the Company's obligations under Public Service Law (PSL) §113 and the Commission's rules and regulations (16 NYCRR Part 89). Furthermore, the deferral, recovery, and retention of property tax refunds remain subject to an annual filing to the Commission by the Company of its ongoing efforts to reduce its property tax burden (Joint Proposal, p. 69).

The stipulated property tax reconciliation and refund components of the Joint Proposal furnish the Company with a greater incentive to not only contain property tax expenses to the extent possible, but also pursue fundamental taxation changes which would benefit Con Edison and customers are reasonable and appropriate under the circumstances.

b. New York City Property Tax Refund

The Joint Proposal also recommends that the Commission address the $140 million property tax refund for the taxation of electric and steam plant that was the subject of litigation between NYC and Con Edison for a number of years.[15] Under the Joint Proposal, the disposition of the $140 million would be in accord with the 2010 Electric Rate Order and 2010 Steam Rate Order. Under these Orders, after retaining the costs to achieve, the Company would also retain 14% of the refund and the customers would receive the remaining 86%. Thus, the Company would retain approximately $19.5 million and customers would receive approximately $119.9 million. Electric customers would receive $28.33 million in each of RY1 and RY2, representing the electric customers' share of $85 million. Steam customers would receive a credit of $11.63 million for each of the three rate years, or a total of $34.9 million.

F. Revenue Allocation/Rate Design

1. Electric

a. Revenue Allocation

The revenue allocation contained in the Joint Proposal recognizes a NYPA Class deficiency of $18 million and phases it in over the rate plan as $9 million in RY1 and $9 million

[15] Case 13-M-0376, Petition of Con Edison for Approval of Proposed Distribution of a Property Tax Refund.

in RY2. At the same time, those rate classes that were found to be in surplus will have their surpluses reduced, proportionately, by a total of $18 million. Recognizing the $18 million NYPA deficiency represents a significant step toward realigning rates based on the results of the 2010 ECOS study. This phase-in ensures that the NYPA Class begins to reduce its deficiency without causing unreasonable rate impacts upon any one rate class.

As an added benefit of the Joint Proposal, the next time the Company files for new base delivery rates, the ECOS study underlying the Company's filing will be premised upon data that is from no more than two years prior to the year in which the filing is made. This feature of the Joint Proposal addresses concerns raised related to the separation in time between the historical period used for the ECOS study and the rate period. The Joint Proposal provides a reasonable resolution of the revenue deficiency issue in this case, offering recovery of a major portion of the indicated deficiency.

b. Rate Design

i. Service Class (SC)9 Max Rate

The Company proposed in its electric rate filing to increase the current maximum delivery rate applicable to SC9 Rate I, effective April 1, 2012, by 25 percent to reduce the number of customers qualifying for this discount. Also, the Company proposed to discontinue application to this rate to any customers who commence service under SC9 Rate I on and after January 1, 2014. There is no cost basis for the maximum rate as it was a bill mitigation measure established in 1970 for poor load factor customers adjusting to demand-based rate design.

SERP, in its direct testimony, accepted the Company's proposal and recommended the Company file a plan in its next rate proceeding to permanently phase out the SC9 Maximum Rate. The Joint proposal, consistent with Staff's SC9 Max Rate recommendation, increases the SC9 Max rate by 33 percent in RY1 and 67 percent in RY2. The rate will be eliminated effective January 1, 2016. The Joint Proposal provides a reasonable solution because there has been ample time for SC9 customers to understand and adapt to demand-based rate design and it will eliminate this rate discount that has no cost basis.

ii. SC1 Special Provision D (Water Heating)

The Joint Proposal establishes a reasonable time frame for the termination of SC1 Special Provision D and allows for consistent SC1 VTOU time periods that provide appropriate pricing signals.

c. Make-Whole Provision

The Joint Proposal allows for the Company or its customers to be made whole for the rate changes to be effective as of January 1, 2014. This provision takes into account that the Commission's action will take place after that date.

d. VTOU Rates

The Company proposed to add a new VTOU rate under SC1 in an effort to encourage the shifting of residential usage away from both supply and delivery peak periods by offering off-peak supply and delivery rates. The Company's proposed design of the new VTOU rate included an off-peak period from 1 AM to 7 AM daily. Several parties, including NYC, UIU, and NRDC, proposed to extend the VTOU off-peak period. Staff recommended that the Commission direct the Company to provide an introductory price guarantee for owners of plug-in electric vehicles (PEVs) in order to overcome customers' fears of paying more under a TOU rate, thus maximizing the adoption of the VTOU rate and minimizing the impact of PEVs on the T&D network.

In its initial brief, the Retail Supply Association (RESA) argued against providing a guarantee to PEV owners because "it would mask and distort the true cost of electricity" RESA also claimed that implementing a PEV price guarantee in this proceeding would be premature because the Commission instituted a proceeding to review policies that may increase consumer acceptance and use of electric vehicles.

The Joint Proposal provides for a new VTOU rate, SC1 Rate III, which offers an expanded off-peak period from midnight to 8 AM. The rate will include a price guarantee for full-service or retail access customers registering a PEV with the Company. The comparison will be made on a total bill basis for full service customers and on a delivery-only basis for retail access customers. In addition, the Company will expand to 50 participants an existing pilot program to test metering technologies and residential participants' responsiveness to peak demand information. Finally, the Company will propose a stand-alone PEV charger rate designed for residential customers in its next rate filing.

The proposed SC1 Rate III design is reasonable and more effective than the current TOU rate at providing a signal to reduce electricity usage at super-peak periods and shift load to the off-peak period. The original Company proposal is modified to expand the off-peak period, originally proposed to be 1 AM to 6 AM, to 12 PM to 8 AM. This change makes the tariff more consumer friendly, by allowing a larger window of off-peak time for customers to charge PEVs and use lower cost power. The price guarantee is restricted to one year. While Staff believes that the majority of PEV owners will benefit from the VTOU rate, restricting the guarantee to PEV owners will limit any cost of providing the guarantee.

RESA is incorrect that the price guarantee distorts the true cost of electricity. While the guarantee would lower the penalty for not responding to price the VTOU price signals, it does not diminish the benefit of responding to those signals. On the other hand, the price guarantee would lower these customers' evident objections to trying VTOU rates -- less than 0.003% of EV owners currently take such a rate. Most customers do not know what their load pattern looks like and are not able to balance the benefits and cost of the VTOU rate without some experience on the rate. The price guarantee provides a risk-free opportunity to try the VTOU rate, become acclimated to considering the time of day in their use of electricity, and potentially discover that taking service under such rates may offer benefits to them.

e. Business Incentive Rate (BIR)

Con Edison has BIR designed to encourage new businesses to locate or remain in its service territory. The BIR provides for 205 MW of power to be allocated to NYC and 40 MW to be allocated to Westchester. As of December 2013, 129.3 MW of NYC's allocation and 19.2 MW of Westchester's allocation are unsubscribed. Prior to 2010, BIR included the allocation of 20 MW to biomedical research. As of April 1, 2010, BIR included an allocation of 40 MW to biomedical research.

The Joint Proposal provides that 5 MW of NYC's unsubscribed BIR allocation will be designated for a NYC Superstorm Sandy program. In addition, the total allocation for biomedical research is increased to 60 MW, with the additional 20 MW coming from NYC's unsubscribed allocation, and NYC may reallocate up to an additional 10 MWs of its unsubscribed allocation to biomedical research. NYC or Westchester may use participation in the Recharge New York (RNY) program as a qualifying program under which it grants BIR benefits.

The Superstorm Sandy BIR program should help revitalize small businesses and non-profit organizations in designated areas affected by Superstorm Sandy. The biomedical sector is an important part of economic development in Con Edison's service territory, and the expansion of biomedical BIR will help support such development.

2. Gas

a. Revenue Allocation

The Company's 2011 ECOS study was performed in a manner consistent with the 2008 ECOS study adopted by the Commission in the 2010 Gas Rate Order, which adhered to the guidelines set forth in the Commission's Unbundling Policy.[16] Further, Staff agreed with and generally found the results of the Company's 2011 ECOS study and revenue allocation to be reasonable. The revenue allocation adjusts each service classes' revenue for deficiencies or surpluses, low-income, and competitive charges, and then applies the remaining non-competitive revenue on an equal percentage basis.

b. Rate Design

i. Make-Whole Provision

See Section G.1.c, above.

ii. SC12 Rate 1/SC9 Rate B

The Joint Proposal eliminates the flat rate structure, as well as the four priority groups, and sets a $100 minimum charge for the first three therms (to be phased-in over three years) and a declining block rate. Elimination of the priority groups simplifies the rate structure and makes the implementation of a block rate structure more feasible. The block rate structure better matches the firm rate structure, the result of which is fair and practicable. Low usage interruptible customers that benefit the system the least when interrupted will no longer have a highly discounted rate compared to larger interruptible customers that benefit the system much more when interrupted. The minimum charge is also reasonable because there is a cost burden to the Company, which it calculates to be $100 per customer per month, in order to maintain interruptible customers on its system. Including this cost to maintain interruptible customers on service is reasonable to potentially avoid firm customers subsidizing their service.

iii. SC12 Rate 2/SC9 Rate C

The eight cents per therm rate for Rate 2 customers, as proposed by Staff is adopted in the Joint Proposal. The Joint Proposal reflects the continuation of the availability of multi-year contracts, but with no discount, which is only a small deviation from the current rate structure supported by Staff. The multi-year contract provision will continues to give this service class

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[16] Case 00-M-0504, Proceeding on Motion of the Commission – Unbundling Track, Statement of Policy on Unbundling and Order Directing Tariff Filings (issued August 25, 2004).

long-term price certainty in order to plan for, and acquire, gas supply contracts a number of years in advance. This is important to these large off-peak firm customers and represents a reasonable compromise to continue contracts, but eliminate the multi-year discount.

c. Transportation Balancing for Generators

The Joint Proposal significantly revises the transportation balancing services by lowering the dead-band from 10% to 2%, within which the generators are not penalized for imbalances. Accordingly, these customers will be further incentivized to more closely monitor their volumes. Imbalances outside this dead-band will be cashed-out under new tiers and at new points of reference, which are designed to represent actual market costs. These changes will also bring the generators in Con Edison's service territory in line with those in neighboring downstate gas service territories. This consistency in the treatment of generators will help to provide a level playing field for generators in the downstate area. Perhaps most importantly, however, firm customers will see a benefit since these changes will translate into fewer capacity assets needed by the Company to balance the generators' transportation imbalances within the dead-band, and more appropriate reimbursement for imbalances outside of the dead-band. Finally, by including a separate charge for this balancing service against the total volume of gas utilized by the generators, firm customers will no longer be subsidizing these customers.

d. Tariff Changes

There are a number of non-controversial tariff amendments reflected in the Joint Proposal. In addition to those changes, the Joint Proposal also provides that the Company's cost responsibilities associated with main and service line extensions will be modified to allow 100 feet for each firm gas applicant on a common main (in lieu of up to 100 feet) who connect at the same time. Moreover, the Joint Proposal acknowledges that the Company's cost responsibilities associated with main and service line extensions for multi-dwelling units having separately metered apartments taking gas service for heating will be at 100 feet per metered apartment. Both of these tariff amendments will enhance the Company's oil-to-gas conversion efforts and help grow its gas business as well as mitigate potential construction costs borne by new gas customers/applicants.[17]

[17] The Company also sought, as part of its litigated case, a dual-fuel firm minimum bill and a gas transmission reinforcement surcharge, both of which were opposed by staff in its litigated case. The Joint Proposal does not provide for these charges.

3. Steam

a. Revenue Allocation and Rate Design

As the Joint Proposal contemplates zero revenue changes for each rate year, there is no change in the overall pure base revenues for each steam service class. Moreover, the Company's 2011 ECOS study indicates that the rates of return for each service class are within a ± 10% tolerance band around the total system average rate of return. Accordingly, there are no changes to steam revenue allocation and rate design.

G. Performance Metrics

1. Electric Reliability Performance Mechanism

The RPM was originally adopted by the Commission in Case 04-E-0572, and has evolved over time.[18] Currently, it includes six interruption performance metrics and four program standards. The maximum negative revenue adjustment for failure to meet all the RPM metrics is $112 million. The RPM proposed in the Joint Proposal recommends changes to the network system-wide performance standards, the restoration metric, and the over-duty circuit breaker program standard. The Commission should adopt the RPM as proposed since it reflects the range of outcomes that would likely have resulted had this issue been fully litigated.

The Joint Proposal also proposes that the Commission adopt the use of the average of the most recent years of data, increasing this average by 10% for variance, and removing from the target calculations the performance numbers of major storm overhead network customer outages. In addition, to maintain consistency between network targets, under the Joint Proposal this method of calculating the network interruption and duration target would also be used to calculate the network summer feeder open-automatic (open-auto) metric. Thus, the proposed target for the Network Outage per 1,000 Customers metric would remain at 2.5, for Network Outage Duration the signatory parties propose 4.7, a decrease from the current target of 4.9 and 330 for the network summer feeder open-auto metric, a decrease from the current target of 510.

The 2010 Electric Rate Order established a restoration metric on a trial basis until further data is derived to determine the metric's usefulness and applicability to the Company's restoration efforts. This mechanism was designed to encourage the Company to meet restoration times based on the type of overhead emergency event. In its testimony, Staff recommended that the Commission remove this mechanism from Con Edison's RPM, since in Case 13-E-0140 the

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[18] Case 04-E-0572, supra.

Commission has approved a utility scorecard that will be used to quantitatively assess an electric utility's performance in restoring electric power after a significant outage.[19] The scorecard makes the restoration mechanism in the current RPM duplicative and unnecessary. The Joint Proposal therefore proposes that the Commission remove the restoration metric from the RPM.

The Joint Proposal also recommends that the Commission establish timeframes to complete repairs of damaged poles, to remove temporary shunts, to repair "no current" street lights and traffic signals, and to replace over-duty circuit breakers. In testimony, Con Edison states that in 2003, over-duty circuit breakers at substations were cited as a barrier to the interconnection of DG to Con Edison's distribution system. The Joint Proposal addresses this issue by requiring Con Edison to replace at least 50 over-duty circuit breakers during the calendar year (the "annual target level") and at least 120 over-duty circuit breakers during each two-year period (the "biannual target level"). There will be revenue adjustment applicable for the annual and for the biannual performance. If the Company does not achieve the annual target level for over-duty circuit breaker replacements, the Company will be subject to a $100,000 per breaker revenue adjustment with a maximum revenue adjustment of $1.5 million. If the Company does not achieve the biannual target level for over-duty circuit breaker replacements, the Company will be subject to an additional $100,000 per breaker revenue adjustment with a maximum revenue adjustment of $3 million. The Joint Proposal also recommends that the Commission also require Con Edison to expend up to $3 million annually for the purchase and installation of fault current mitigation technology where an over-duty circuit breaker condition exists or will exist with the addition of DG to the Company's electric system.

Modifying the components of the current RPM, as the signatory parties recommend, is necessary to ensure that the Company meets the Commission's electric service reliability expectations and that customers continue to receive safe and adequate service. Adjustments proposed to the network metrics, restoration metric, and the over-duty circuit breaker will allow the Commission to appropriately gauge the Company's performance. The funding of fault current mitigation technology will help foster further DG development.

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[19] Case 13-E-0140, Proceeding on Motion of the Commission to Consider Utility Emergency Performance Metrics, Order Approving the Scorecard for Use by the Commission as a Guidance Document to Assess Electric Utility Response to Significant Outages (issued December 23, 2013).

a. Intrusion Detection Systems

Bulk Power System (BPS) substations are among the most critical elements to the power grid, and are vulnerable to intrusion by unauthorized personnel who may be intent on damaging or disrupting power to the electric transmission grid. An adequate perimeter security response must provide the capability to detect, deter and apprehend the intruder prior to the attempt being initiated. As of November 10, 2012, all New York State electric utilities with the exception of Con Edison have upgraded the perimeter security at BPS Substations with an operational Intrusion Detection System (IDS). The Joint Proposal would require that the Company commit to equip each BPS Substation with an operational perimeter Intrusion Detection System no later than April 30, 2015 and be subject to negative revenue adjustments for failure to do so. The mechanism will provide the necessary incentives to ensure completion of these very important projects. The Company has already commenced providing Staff with monthly status reports indicating progress and estimated IDS completion dates for each BPS substation.

2. Gas Safety Performance Measures

The Joint Proposal recommends the continuation of safety performance mechanisms in the areas of damage prevention, emergency response to leak and odor calls, leak management and removal of leak-prone pipe. In addition, the provisions of the Joint Proposal encourages additional improvement in these areas by both tightening the targets and increasing the negative revenue adjustment exposure the Company is subject to under the agreement.

Generally, these metrics are similar to those adopted in the Commission's 2010 Gas Rate Order as well as the safety performance mechanisms adopted as part of other gas utility rate plans. Specifically, the Joint Proposal recommends that the Company to maintain its performance level tied to damage prevention without significant deterioration in performance by including targets in the area of Total Damages and Damages Due to Mismark. In addition, a target for Damages Due to Company and Company Contractors encourages improvement over the term of the rate plan. Moreover, while Con Edison is currently required to maintain a 75% in 30 minutes and 90% in 45 minutes emergence response to leak and odor call targets, a new 95% emergency response target in 60 minutes has also been implemented. With regard to the Company's leak management practices, the Joint Proposal provides both funding and incentive for Con Edison to decrease its total leak backlog of known leaks by 25% over the term of the rate plan. Reduction of gas leaks improves public safety and has the potential to reduce methane leakage. Further, multiple parties, including Staff, supported an increase in leak-prone pipe removal to further public safety. The Joint Proposal provides that Con Edison will increase its leak-prone pipe replacement from 50 miles per year, to 60 miles, 65 miles, and 70 miles over the three-year term of the agreement. This substantial increase in leak-prone pipe removal will benefit public safety on a commensurate level. In addition, the segments targeted for removal will more closely follow Con Edison's risk based prioritization model, by operating area, by requiring the Company to report on the specific location and section of leak-prone pipe removed or abandoned, ensuring that customers get the full benefit of the increased expense associated with the leak-prone pipe removal program.

Finally, the Joint Proposal contains a critical new safety performance metric for Con Edison tied to instances of non-compliance (violations) with the Commission's gas safety regulations. Over the term of the rate plan Con Edison would be required to improve, at a rate of 25% per year, its performance under this new metric. Failure to improve at this rate would subject Con Edison to a potential revenue adjustment of up to 100 basis points at the end of the third-year of the agreement and beyond. Compliance with the Commission's pipeline safety regulations benefits public safety by reducing the risk associated with failing to adhere to the requirements for the safe transportation of gas. While this metric deviates from other utility gas rate plans, the Joint Proposal's rendition is still reasonable because any violation which is not captured under this metric is still subject to a potential penalty action under the newly enacted PSL §25-a in addition to the existing PSL §25. Other rate plans containing a similar measure for combination utilities were adopted prior to the development of PSL §25-a.

In summary, Con Edison's annual potential revenue adjustment(s) for failing to meet the minimum levels of gas performance based on the above metrics is increased from 37 basis points to 150 basis points over the term of the agreement and certain targets have been tightened. These adjustments bring Con Edison in line with most of the other gas distribution companies operating in the state and also align its exposure with the electric safety requirements for stray voltage testing and provide additional protections to the Company's customers and the public.

3. Steam Safety Performance Measures

The Joint Proposal continues safety performance measures related to the operation of the steam system. Con Edison must respond to 90% of steam leak/vapor calls within 45 minutes and 95% of steam leak/vapor calls within 60 minutes. In addition to the continuation of these metrics, the Joint Proposal includes a clarification to the minimum level of training for emergency responders. Both of these targets and associated responder qualifications are similar to the requirements for the gas operations business of Con Edison. Also continuing in the Joint Proposal is a steam leak backlog target. The only change to the existing target is a simplification of how the backlog is calculated. Rather than two milestones and a rolling average calculation, the metric will be the average of the month-end steam backlog for each period ending December 31st. The steam safety performance measures in the Joint Proposal both continue and enhance the level of safety to the public.

4. Customer Service Performance Mechanism (CSPM)

The Joint Proposal recommends continuing, with modifications, the existing CSPM, which measures Con Edison's performance in the following areas: PSC complaint rate; surveys of electric emergency callers, other non-emergency callers to the Company's telephone centers, and visitors to the Company's service centers; the Outage Notification Incentive Mechanism; and call answer rate. Failure by the Company to achieve the specified targets will result in a revenue adjustment of up to $40 million annually. It also continues the existing gas CSPM, which is based on an average of biannual surveys of customer satisfaction with the handling of emergency calls relating to gas service, and which carries a maximum annual revenue adjustment of up to $3.3 million.

With respect to the electric CSPM, Staff recommended that the PSC Complaint Rate target range be tightened to 2.3 - 2.9, and that the Call Answer Rate target range be raised to 63.0% - 60.0%, UIU proposed tightening the PSC Complaint Rate target range to 1.8 - 2.2, and raising the call answer rate target range to 70.0% - 68.5%. The Joint Proposal achieves the objectives sought by Staff in its testimony. Strengthening these metrics will help ensure that the CSPM remains relevant to the current operating environment and poses an effective deterrent against poor performance.

H. Customer Service/Retail Access Issues

1. Outreach and Education

The Joint Proposal provides a number of enhancements to the Company's outreach and education program, including efforts to assist in the collection of customer cell phone numbers and email addresses for communications during outages, increased outreach and education related to natural gas expansion and conversion, and expanded VTOU rate information. The Joint Proposal achieves the objectives sought by Staff in its testimony.

2. Mandatory Hourly Pricing (MHP)

The Joint Proposal contains Staff's position that Con Edison modifies capacity charges billed to MHP customers based on the customer's usage during the system peak. Currently, Con Edison charges MHP customers for capacity based on the customer's individual peak demand level. Capacity costs are driven by the amount of generating capacity the New York Control Area (NYCA) needs at the peak hour to supply electricity to all customers. Because capacity costs are driven by needs during the NYCA peak, capacity charges should be based on MHP customer's individual demand during the NYCA peak (also known as customer's Capacity Tag or ICap tag). All the other large investor-owned utilities in the state charge their customers based on ICap tags.

The training and implementation of this change are delayed until 2015 and 2016, respectively, in order to avoid confusion with the creation of a new capacity zone in the Hudson Valley ordered by the Federal Energy Regulatory Commission (FERC)(Docket No. ER13-380-000, Order Accepting Proposed Tariff Revisions and Establishing A Technical Conference, 144 F.E.R.C. ¶ 61,126 (Issued August 13, 2013)). The Joint Proposal proposes to expand customer training for MHP Customers.

The Joint Proposal envisions that Con Edison will develop a plan to expand MHP down to 300 kilowatts (kW) after installation of reactive power metering capabilities, as recommended in Staff's testimony. Con Edison is the only large investor owned utility in the state that has not reduced its MHP demand threshold below 500 kW. This aligns Con Edison with other utilities in the state.

3. Same Day Electric Service Reconnections

The Joint Proposal would require the Company make an effort to reconnect service on the same day for residential electric customers whose service was disconnected for non-payment at the meter and who make payment and are eligible for reconnection by 5:00 p.m. Monday - Friday.

4. Distributed Generation

The Joint Proposal anticipates that the contract demand for service under standby rates may be set by the Company or by the customer. Customers installing DG in existing buildings that do not require an upgrade may set the contract demand, subject to the existing penalty mechanism, and Con Edison has no authority to approve or modify the customer-set contract demand. Customers who install DG in new construction or upgraded premises may continue to set the contract demand, but the Company will have authority to approve or modify the contract demand to meet the customer's maximum potential demand, and there will be no penalty to the customer for the customer exceeding the customer-selected contract demand.

The Joint Proposal further commits the Company to include a reference to the DG Guide in its electric, gas and steam tariffs. It will also pay the cost of purchasing and installing fault current mitigation technology where an over-duty circuit breaker condition exists or will exist with the addition of DG to Con Edison's system up to a total of $3 million annually. In addition, the New York State Energy Research and Development Authority (NYSERDA) is developing a report on microgrids. That report is expected to be completed in the spring of 2014. Within six months of the issuance of the NYSERDA report, the Company will file with the Commission an implementation plan.

5. Retail Access Matters

a. Online Historic Bill Calculator

Staff recommended that the Commission require the Company to provide a historical online bill calculator, which would enable consumers to make informed comparisons between ESCO and utility charges. Staff also recommended that $300,000 be provided to Con Edison to provide such a tool. PULP proposed that Con Edison provide ESCO customers with on-the-bill comparisons of the charges the customer has with its ESCO and what the customer would have paid had she or he not used an ESCO.

In its rebuttal testimony, Con Edison supported an online historical bill calculator that provides price comparisons over an annual period; however, the Company recommended waiting until a decision is reached in the generic retail access proceeding, Case 12-M-0476. RESA states that it supports development and implementation of a web based historical calculator for residential customers, but agrees with the Company that it would be logical to await the outcome of that proceeding before actually implementing the calculator at Con Edison.

The Joint Proposal provides that the Company will develop, in consultation with Staff and interested parties, an online historic bill calculator that would allow retail access customers to perform a historical comparison of their prior year's ESCO bill compared to what they would have paid that year as a full service Con Edison customer. The Company will develop and implement the calculator as soon as practicable but no later than December 31, 2014.

This provision of the Joint Proposal should be adopted as they are unopposed by any party, including representatives of ESCOs. Since the parties agree on the concept as well as the general design parameters, there is no compelling reason to await the outcome of the generic proceeding on this matter. In addition, while they are the product of settlements and are not precedential, Staff notes that the Commission recently approved similar calculators for Central Hudson (Case 12-M-0192) and National Grid (Cases 12-E-0201 and 12-G-0202).

PULP's proposal to provide monthly on-bill comparisons, should be rejected. As noted by Con Edison, providing monthly bundled charges on the customer bill could potentially be misleading to customers by causing them to limit their evaluation of their ESCO's price to a direct monthly comparison instead of comparing pricing over an annual period.

I. Electric and Gas Low Income Programs

The Con Edison electric and gas low income programs consist of two components: a discount on certain rates and charges for low income residential customers, and a waiver of reconnection fee(s).

In its testimony, the Company proposed keeping the current annual funding level for its electric low income program of $38.25 million for the customer charge discounts, and $0.5 million for the reconnection fee waivers. Con Edison also proposed keeping the existing budget for its gas program: $6.4 million for the rate discounts and $75,000 for the reconnection fee waivers; but proposed to reduce the amount of the SC1 discount in light of higher forecasted levels of participation. In order to make the Qualifying Programs for the two discounts consistent, Con Edison proposed to discontinue Medicaid as a Qualifying Program for gas. With respect to the Agencies' costs of participating in the matching and enrollment process, the Company proposed that, if the Agencies refuse to self-fund these costs, and if the Commission decides that the Company should fund this expense, the revenue requirement needs to be increased to reflect the projected costs.

Staff proposed that the electric and gas low income program budgets and their recovery in rates remain at the same levels and subject to the same accounting treatments as provided for in the respective rate orders. For gas service, we recommended that the $1.50 SC1 credit be discontinued, as this amount provides no meaningful benefit to participants; and that the monies saved be shifted to SC3 heating customers, increasing their monthly volumetric discount. We also recommended that the Commission eliminate Medicaid as a Qualifying Program for the gas low income discount. With respect to the Agencies' matching costs, we recommended that, should either of the Agencies decline to complete the matching and notification process, the program in the relevant part of the service territory would be limited to only those qualifying customers whom Con Edison can identify using its own resources.

UIU proposed that for SC1 Con Edison gas low income customers the discount of $1.50 should be increased to $3.00 per month and that heating gas customers should be provided a $10 monthly credit plus the current per therm discount. The proposed budget for this gas low income program was estimated to be $13.927 million. For the electric low income program, UIU proposed to raise the customer discount to $10.50 per month and to discontinue the mechanism that adjusts the rate discount if the cost of the discount varies by 5% in either direction, and also to discontinue the reduction in reconnection fee waiver level if the budget limit is approached. UIU opposed removing Medicaid as Qualifying Program for the gas discount and recommended that the file matching be conducted twice annually, rather than once.

NYC recommended raising the electric low income budget from $38.25 million to $45.9 million. NYC proposed no changes to the gas low income program and opposed removing Medicaid as a Qualifying Program. Finally, NYC argued that it is unable to continue to fully fund the file match process, and proposed that the Company underwrite the costs of its opt-out letter to potential participants. Westchester also sought to have the Company fund these costs.

PULP recommended freezing the rates for customers participating in the low-income program at the current level to strengthen the affordability of Con Edison's electric service for these customers. PULP proposed that the Company reimburse the Agencies for their out-of-pocket expenses related to the match. PULP also proposed that Medicaid be deemed a Qualifying Program in both the gas and electric low income programs.

The Joint Proposal provides for continuation of both the electric and gas low income programs. All existing enrollment processes will remain in place, and reconciliation of Company and HRA and DSS records would be expanded to twice per year during the course of the rate plans, as proposed by UIU and supported by PULP. The Company pledges to cover up to $50,000 per annum of the Agencies' administrative costs, with the balance, up to an additional $50,000, to be recovered from customers. The Qualifying Programs for both the electric and gas discounts will remain the same, with Medicaid not withdrawn from the gas program, but not added to the electric program. As in the existing programs, all qualifying low income electric and gas customers would be admitted into the programs, without limit.

Customers in the electric low income program would receive a monthly discount of $9.50 from the applicable customer charge.[20] In light of the increased discount and the present participation levels (about 417,000 customers), the annual budget would be increased to $47.5 million. The adjustment mechanism which varies the discount level if actual expenditures exceed or fall short of such amount has been retained, but the tolerance band would increase from 5% to 10% over- or underexpenditure.

SC1 customers in the Company's gas low income program would continue to receive a $1.50 discount on their monthly minimum charge. SC3 (heating) customers would receive a $7.25 discount on their monthly minimum charge as well as a discount of $0.4880 per therm in the 4-90 therm block. These enhancements would increase the annual budget for the gas discount program to $10.9 million.

The Joint Proposal (J.4.b) proposes to continue the reconnection fee waivers for customers participating in the respective gas and electric low income plans. The existing adjustment factor, if the target for either program is forecast to be exceeded, would remain in place.

The low income programs provided in the Joint Proposal maintain innovative and broad-based approaches to serving the needs of low income customers and should be adopted. The electric monthly discount falls within the range of the expected outcome of a litigated case as testimonial positions ranged from Con Edison's proposed discount of $7.40 to UIU's proposed $10.50, and the resulting discounted rate would be less than that proposed by PULP, which sought merely to freeze the discounted rate at its current level. The adjustment mechanism was retained and is necessary for the protection of non-participating customers, but its potential to limit discounts has been reduced, by expanding the tolerance band from 5% to 10% (and by limiting any such adjustment to the amount needed to bring the budget within 10%, with a $0.50 maximum).

[20] Since customer charges would remain at current levels (Appendix 20), this effectively reduces the low income monthly customer charge by $1.00, to $6.26 ($15.76 - $9.50).

The proposed gas discount levels likewise represent a fair and balanced outcome. Testimonial positions ranged from no discount for SC1 customers and a monthly volumetric discount of $0.4836 per therm for SC3 customers to UIU's testimonial position that SC1 customers receive a $3.00 monthly discount and SC3 customers receive a $10 monthly credit plus the current therm discount of $0.3833. For SC1 ("cooking-only") customers, there was no evidence adduced at hearing which demonstrated a need to increase discount levels (and given the number of SC1 participants, doing so would have greatly increased the cost of the program); however, the terms of the Joint Proposal would not withdraw the discount they now enjoy, and given that customer charges would remain at current levels, would achieve PULP's goal of freezing the SC1 low income rate. The SC3 heating customer discount is greatly enhanced, and furthermore is structured as proposed by UIU, albeit with a smaller monthly discount, and a larger volumetric discount. Staff believes this appropriately directs a greater amount of assistance to those with larger heating bills.

It is not clear why the Company's gas low income program was designed to include Medicaid as a Qualifying Program, while the electric low income program was not; however, maintaining the status quo for both programs, as proposed by the Joint Proposal, is the most appropriate course of action. The only alternatives would be to withdraw the gas discount from existing Medicaid recipients, or to add Medicaid customers to the electric program. While no solid evidence was furnished as to the effect of either action, NYC was perhaps best qualified to opine on the matter, and suggested in its testimony that adding Medicaid recipients to the electric program could have dramatic consequences for enrollment levels. NYC recommended the approach taken by the Joint Proposal.

Accounting for the Agencies' costs of participating in the match posed difficulties out of proportion to the amount of dollars involved. The design of the Company's low income programs relies on the Agencies' voluntary participation in the match, which they were reluctant to continue without assurances that their costs would be covered. On the other hand, as a substantial taxpayer in the City (as well as in Westchester County), many parties were concerned that having the Company directly cover the Agencies' costs was inappropriate. The solution proposed in the Joint Proposal (i.e., cap such costs at $100,000 annually, with the first $50,000 to be provided by shareholders), presents a fine example of the spirit of compromise among the parties that is embodied in the Joint Proposal.

J. Studies and Reports

1. Staffing Study

The Joint Proposal calls for the Company to submit a staffing study to the Commission that will compare the Company's use of contractors to the use of union employees for utility functions that are performed by both union contractor resources. This study is beneficial to customers because it will evaluate whether the Company is effectively managing its staffing costs in the best interest of customers. Further, the results of the study could yield customer benefits in the form of lower staffing costs in future rate proceedings.

2. Hudson Avenue Study

Currently, the book cost of the land at the Hudson Avenue property is recorded on the Company's books of account as Electric Plant Held for Future Use and the remaining unrecovered cost of facilities and equipment at the Hudson Avenue Generating Station is a component of Net Steam Plant in Service. In its filing, Con Edison proposed to transfer the remaining unrecovered cost of the facilities and equipment from its steam department to its electric department. Since the Company did not adequately support this transfer, Staff could not agree to it. The Joint Proposal reflects the cost of the land and the remaining unrecovered cost of facilities and equipment as a part of the Company's steam department. The Joint Proposal also proposes that Con Edison conduct an analysis of the issues raised in these proceedings with regard to the Hudson Avenue property. This study will include, among other things, a review of the historical use of the property (*i.e.*, for electric and steam operations), an assessment of the environmental liabilities and demolition costs of the property, appraisal of the property for future utility use and for the highest and best use of the property and an assessment of whether the property should be sold. The study may also include proposals for the use or sale of the property, including estimated costs and benefits of any proposal. This study will aid Staff and the Commission in determining what actions, if any, should be taken with regard to this property.

3. Interruptible Gas Study

The Joint Proposal provides that the Company will perform a study to examine the benefits and impacts of interruptible customers on the Company's gas system. The study, supported by many of the parties in this case, is an important step in order to set just and reasonable rates for interruptible customers in a new and evolving rate environment, while also continuing to reasonably benefit firm customers to the extent possible. The historic/current setting of interruptible rates was previously balanced by the symbiotic, competitive relationship between fuel oil prices and natural gas prices – a rate environment that does not exist today. Therefore, a study is crucial to gaining a better and more quantifiable understanding of both the value and incremental costs of interruptible customers in order to ensure that just and reasonable interruptible rates are set during the Company's next filed rate case.

4. Customer Service System Plan

The Joint Proposal provides for a Customer Service System (CSS) Plan to be filed with the Commission by December 31, 2014. This meets Staff's testimonial objective of ensuring for a plan that is a carefully developed, smooth (for all parties including the Company's customers) and cost effective transition from the current piecemeal antiquated systems supporting customer service functions to a CSS able to support the Company's current and future customer system needs. The Company also recognizes the need for a comprehensive plan.

5. Customer Preference Study

Utility customer service quality initiatives continue to be developed, implemented and measured by indicators that were developed decades ago. While things such as keeping scheduled appointments, telephone speed of answer, and billing accuracy remain important, Staff remains concerned that there may be other, emerging attributes of service that today's utility customers value more, but are not being measured currently. The Joint Proposal reflects the objectives sought in Staff's testimony. A budget of $100,000 will be utilized to hire a consultant to perform a customer survey that explores the attributes of customer service that customers most want and expect. The survey will be designed in consultation with Staff and interested parties. This effort will commence within 60 days of a Commission order adopting the joint proposal. A report based on the survey results will be filed with the Commission by December 31, 2014. The report would summarize the results of the survey, and identity action steps that can be taken to incorporate the findings regarding customer preferences into its customer service strategy.

CONCLUSION

The terms of the Joint Proposal fully satisfy the Commission's Settlement Guidelines. Taken as a whole, the Commission can reasonably conclude that the terms of the Joint Proposal would fall within the range of potential results of litigation. As noted above, the fact that 12 Active Parties have signed on to the Joint Proposal is testament to the breadth of agreement on a wide range of issues and balancing of the interests of customers, Con Edison and the other

Parties. The Joint Proposal significantly continues and advances the Commission's goals and policies, while freezing the Company's revenues during the terms of the proposed rate plans. Con Edison, meanwhile, will receive sufficient funds to operate and manage its electric, gas and steam businesses, and maintain safe and adequate service. For all of the above reasons, Staff respectfully recommends that the terms of the Joint Proposal be found to be in the public interest and adopted by the Commission in their entirety.

Respectfully submitted,

Steven J. Kramer
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Assistant Counsels

Dated: January 9, 2014
Albany, New York

Consolidated Edison Company of New York, Inc
Electric Revenue Requirement Reconciliations
($000)

	Current Electric Rates vs. Joint Proposal Rate Year One Rate Year Ending December 31, 2014	Joint Proposal Rate Year One vs. Joint Proposal Rate Year Two Rate Year Ending December 31, 2015
Recommended Electric Revenue Requirements	($76,193)	$123,968
	Revenue Requirement Effect	
Higher Electric Sales Revenues	($77,103)	($25,381)
Other Electric Operating Revenues		
Lower TCC and TSC Revenue Imputations	39,340	0
Higher POR Discount Revenue	(17,208)	0
All Other Electric Operating Revenue	(22)	1,826
Total Other Electric Operating Revenue	22,110	1,826
Regulatory Deferrals		
Recovery of Hurricane Sandy Storm Costs	84,236	0
Recovery of Deferred Pension & OPEB costs	28,769	0
Recovery of Storm Costs in Storm Reserve	27,020	0
Recovery of Deferred SIR Costs	12,519	7,039
Refund of Deferred Property Tax Overcollections	(91,253)	0
Refund of Deferred Property Tax Refunds	(32,385)	0
Refund of Deferred Interest Rate Costs	(25,747)	0
Refund of Deferred WTC Overrecoveries	(18,129)	0
Refund of Deferred Federal Tax Benefits	(12,857)	0
Refund of Deferred Carrying Charges on Net Plant	(5,667)	0
All Other Regulatory Deferrals	501	0
Total Regulatory Deferrals	(32,992)	7,039
Operations & Maintenance Expenses		
Company Labor	55,954	17,653
Employee Welfare Expense	50,696	3,185
Increase in Storm Reserve Funding	16,385	0
Insurance Expense	15,469	773
Pension & OPEB Expense	12,592	(87,886)
Elimination of Austerity Adjustment	13,665	0
Electric Operations Expense	(18,690)	1,610
Management Audit Savings	(13,510)	(10,974)
All Other O & M Expense	(20,499)	11,453
Total Operations & Maintenance Expenses	112,062	(64,186)
Depreciation Expense	78,651	44,191
Taxes Other Than Income Taxes		
Property Taxes	(68,724)	71,421
Payroll & All Other Taxes Other Than Income Taxes	6,666	2,565
Total Taxes Other Than Income Taxes	(62,058)	73,986
Income Tax Effects	15,877	(624)
Rate Base		
Net Plant	133,790	80,413
NIBCWIP	28,634	9,657
Working Capital	13,406	(1,209)
Accumulated Deferred Income Taxes	(73,084)	(7,894)
EBCap Adjustment	(38,925)	0
Regulatory Deferrals	(15,910)	1,754
All Other Rate Base Items	3,278	(1,164)
Total Rate Base	51,189	81,557
Rate of Return	(183,928)	5,559
Total Recommended Revenue Requirement Reconciled	($76,193)	$123,968

Consolidated Edison Company of New York, Inc
Gas Revenue Requirement Reconciliations
($000)

	Current Gas Rates vs. Joint Proposal Rate Year 1 RYE December 31, 2014	Joint Proposal Rate Year 1 vs. Joint Proposal Rate Year 2 RYE December 31, 2015	Joint Proposal Rate Year 2 vs. Joint Proposal Rate Year 3 RYE December 31, 2016
Recommended Gas Revenue Requirements	($54,602)	$38,620	$56,838
		Revenue Requirement Effect	
Higher Gas Sales Revenues	($71,280)	($24,208)	($23,498)
Other Gas Operating Revenues			
Higher POR Discount Revenue	(1,499)	0	0
All Other Gas Operating Revenue	(329)	(880)	(802)
Total Other Gas Operating Revenue	(1,828)	(880)	(802)
Regulatory Deferrals			
Recovery of Deferred Pension & OPEB costs	11,761	0	0
Recovery of Deferred SIR Costs	480	1,464	1,464
Refund of Deferred Federal Tax Benefits	(8,538)	0	0
Refund of Deferred Property Tax Overcollections	(8,192)	0	0
Refund of Deferred WTC Overrecoveries	(8,088)	0	0
Refund of Deferred Interest Rate Costs	(3,453)	0	0
All Other Regulatory Deferrals	(6,044)	0	0
Total Regulatory Deferrals	(22,074)	1,464	1,464
Operations & Maintenance Expenses			
Pension & OPEB Expense	14,382	(12,918)	(11,234)
Employee Welfare Expense	6,714	509	520
Information Resources	3,250	182	158
Elimination of Austerity Adjustment	2,093	0	0
Company Labor	2,034	3,029	2,994
Interference Expense	1,629	419	428
All Other O & M Expense	1,306	4,983	5,260
Total Operations & Maintenance Expenses	31,408	(3,796)	(1,874)
Depreciation Expense	12,355	11,511	12,992
Taxes Other Than Income Taxes			
Property Taxes	(2,283)	19,889	23,875
Payroll & All Other Taxes Other Than Income Taxes	1,419	283	281
Total Taxes Other Than Income Taxes	(864)	20,172	24,156
Income Tax Effects	6,796	(2,703)	1,145
Rate Base			
Net Plant	58,473	39,585	49,868
Non-Interest Bearing CWIP	7,698	(378)	(7,390)
Accumulated Deferred Income Taxes	(40,940)	(4,834)	(4,791)
EBCAP Adjustment	(11,889)	0	0
Regulatory Deferrals	(5,439)	1,459	1,472
All Other Rate Base Items	1,135	124	459
Total Rate Base	9,038	35,955	39,618
Rate of Return	(18,152)	1,105	3,637
Total Recommended Revenue Requirement Reconciled	($54,602)	$38,620	$56,838

Consolidated Edison Company of New York, Inc
Steam Revenue Requirement Reconciliations
($000)

	Current Steam Rates vs. Joint Proposal Rate Year 1 RYE December 31, 2014	Joint Proposal Rate Year 1 vs. Joint Proposal Rate Year 2 RYE December 31, 2015	Joint Proposal Rate Year 2 vs. Joint Proposal Rate Year 3 RYE December 31, 2016
Recommended Steam Revenue Requirements	($22,358)	$19,784	$20,270
		Revenue Requirement Effect	
Lower Steam Sales Revenues	$7,519	$1,075	$1,606
Other Steam Operating Revenues	1,265	311	(2,227)
Regulatory Deferrals			
Refund of Deferred Property Tax Refunds	(11,952)	0	0
Refund of Deferred Property Tax Overcollections	(5,796)	0	0
Refund of Federal Tax Benefits	(5,698)	0	0
Refund of Deferred WTC Overrecoveries	(3,526)	0	0
Refund of Deferred Interest Rate Costs	(1,665)	0	0
Refund of Carrying Charges-SSCM Tax Benefits	(1,608)	0	0
Refund of Deferred Carrying Charges on Net Plant	(1,219)	0	0
Recovery of Deferred Pension & OPEB costs	10,304	0	0
Recovery of Hurricane Sandy Storm Costs	2,225	0	0
All Other Regulatory Deferrals	(1,324)	453	453
Total Regulatory Deferrals	(20,259)	453	453
Operations & Maintenance Expenses			
Pension & OPEB Expenses	5,951	(6,129)	(5,330)
Employee Welfare Expense	3,183	221	228
Rents-Interdepartmental Expense	1,943	1,800	794
Elimination of Austerity Adjustment	1,541	0	0
Company Labor	436	1,639	1,580
Steam Production Expenses	(5,050)	0	0
Water Treatment Expenses	(3,976)	0	0
Electricity and Gas Used	(3,409)	0	0
Corrective Maintenance	(2,668)	0	0
All Other O&M Expenses	(72)	1,203	1,160
Total Operations & Maintenance Expenses	(2,121)	(1,266)	(1,568)
Depreciation Expense	8,632	2,620	3,058
Taxes Other Than Income Taxes			
Property Taxes	4,648	8,858	11,127
Payroll & All Other Taxes Other Than Income Taxes	323	119	120
Total Taxes Other Than Income Taxes	4,971	8,977	11,247
Income Tax Effects	(3,534)	3,355	441
Rate Base			
Net Plant	15,533	2,271	4,174
Accumulated Deferred Income Taxes	(11,531)	(184)	(320)
EBCap Adjustment	(6,295)	0	0
Regulatory Deferrals	(4,666)	1,592	1,723
Working Capital	(2,624)	182	442
All Other Rate Base items	(1,002)	(83)	(62)
Total Rate Base	(10,585)	3,778	5,957
Rate of Return	(8,246)	481	1,303
Total Revenue Requirement Reconciled	($22,358)	$19,784	$20,270