

**O&M – Shared Services - Central Field Services**

<b>Project/Program Title</b>	Vehicle Fuel Costs
<b>Work Plan Category</b>	Efficiency and Process Improvement
<b>Project Manager</b>	Bob Ceriello
<b>Project Status</b>	Future Costs
<b>Estimated Service Date</b>	Ongoing

**Work Description:**

Funding for vehicle fuel is for both unleaded and bio-diesel.

Note: Fuel data for gallons and price are for total Company.

**Justification:**

Over the last several years, CECONY developed a methodology to predict fuel prices. The methodology combines historical and forward-looking price information, published by the Energy Information Administration (EIA) section of the Department of Energy (DOE), and actual expenditures at CECONY. This method yields expected price differentials between the DOE projections and projected CECONY market region prices. Due to the dynamic nature of the commodities market and the corresponding effects on vehicle fuel prices, this projection methodology allows for the appropriate recovery of costs associated with vehicle fuel. This methodology was used in the Rate Case filing #09-E-0428.

Changes over historic years' actual expenditures can be due in part to changes in the volume of fuel consumed. Over the past few years we have reduced the size of the fleet, purchased more fuel efficient and alternate fuel vehicles and have made an effort to reduce vehicle idling. This has contributed to a reduction in fuel consumption and we expect this trend to continue. However, in recent years, volatility in the commodities market had a much greater effect on prices (which we are also seeing today) and there is no absolute predictor of future fuel prices. Unique considerations in the CECONY market area include the effect of local taxes and transportation charges added to fuel costs. Additionally, CECONY is subject to DOE EPAAct regulations, requiring the use of B20 biodiesel fuel (which is an additional premium over traditional diesel fuel). Con Edison uses a fuel distributor to handle the bulk purchasing and delivery of fuel to its fuel station sites. This contract expires in 2013 and may also be subject to increased pricing as a result of the volatility in the commodities market.

The Department of Energy uses the most sophisticated model to incorporate data about the commodities markets, supply and demand and production capabilities (over the appropriate planning-horizon). By combining historical and forward-looking price information published by the Department of Energy's, Energy Information Administration (EIA) and actual expenditures at CECONY, we can demonstrate the expected differential between DOE projections and what should be expected in CECONY's market region.

The budget year forecasts are based on the Department of Energy, Energy Information Administration's – Short-Term Energy Outlook (DOE EIA-STE0) fuel prices report and the actual fuel prices paid by CECONY. We believe the STE0 report provides the most useful independent reference for future fuel prices. The methodology uses the budget year DOE price per gallon forecasts and the actual previous year price per gallon paid by CECONY for both

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commodities. The methodology considers the net effect of our bulk purchase agreements, local taxes, fees and biodiesel additives.

The methodology develops a relationship between Con Edison's cost for fuel and the federal government's actual and projected price for fuel. By comparing the two, a relationship is drawn between the average cost as projected in the STEO, and the local prices that the Company expects to pay for fuel. It also accounts for any discounts the Company receives for its bulk purchases. However, since the DOE projections only go out one year we have kept the 2014-2017 prices at the DOE 2013 projection (the projection does not include standard corporate escalation factors). The method expressed as formulas are shown below for gasoline and diesel.

#### Gasoline:

$[(\text{CECONY Historic Year (2011) Average } \$/\text{gallon}) / (\text{DOE Historic Year (2011) PADD-1 } \$/\text{gallon})] * (\text{DOE Future PADD-1}) = \text{CECONY Future } \$/\text{gallon}$ . The result of this calculation would be multiplied by the forecasted gallons of fuel for the budget year.

#### Diesel (B20 Biodiesel):

$[(\text{CECONY Historic Year (2011) Average } \$/\text{gallon}) / (\text{DOE Historic Year (2011) National Average } \$/\text{gallon})] * (\text{DOE Future National Average}) = \text{CECONY Future } \$/\text{gallon}$ . The result is again multiplied by the forecasted gallons of fuel for the budget year.

In 2013, the consumption for vehicle fuel is predicted to be 1.7M gallons for diesel and 1.7M gallons for gasoline. However, based on our plans to continue purchasing fuel efficient and alternative fueled fleet vehicles, reduced vehicle idling and fleet reductions we anticipate some reduction in consumption over the planning horizon (2014-2017).

Exhibit A – shows Historical year ending June, 2012 (actual) and RYE 2014 (forecast) fuel data gallons and average annual price

Exhibit B(1) – shows historic national average diesel prices as reported by DOE and actual CECONY diesel prices for the period July, 2011 – June 2012. The projection price is through December, 2013.

Exhibit B(2) – shows historic national average gasoline prices as reported by DOE PADD-1 and actual CECONY gasoline prices for the period July, 2011 – June 2012. The projection price is through December, 2013.

**Status: On-Going**

**Funding (\$000):**

<b>Actual 2007</b>	<b>Actual 2008</b>	<b>Actual 2009</b>	<b>Actual 2010</b>	<b>Actual 2011</b>	<b>Approved 2012</b>
\$10,999	\$14,730	\$9,644	\$10,954	\$13,773	\$11,664

<b>Forecast RYE 2013</b>	<b>Forecast RYE 2014</b>	<b>Forecast RYE 2015</b>	<b>Forecast RYE 2016</b>	<b>Forecast RYE 2017</b>	<b>Forecast Total RYE 2013-2017</b>
\$12,571	\$12,722	\$12,729	\$12,801	\$12,874	\$63,699

**Exhibit A**

**Vehicle Fuel Costs**

**12 Months Ending June, 2012**

	<u>Diesel</u>	<u>Unleaded</u>	<u>Total</u>
Gallons	1,655,264	1,772,783	3,428,047
Price/Gal.	\$4.019	\$3.757	\$3.883
Cost	\$6,652,328	\$6,660,301	\$13,312,629

**2014 (RYE - Forecast)**

	<u>Diesel</u>	<u>Unleaded</u>	<u>Total</u>
Gallons	1,650,000	1,650,000	3,300,000
Price/Gal. (Avg.)	\$3.934	\$3.685	\$3.809
Cost	\$6,491,000	\$6,080,000	\$12,571,000

Exhibit B (1)

Chart shows historical difference between DOE diesel, the data point also used for projection of rate-year expenditure, and CECONY actual prices paid for B20 biodiesel during the historical year versus DOE projection through 2013.

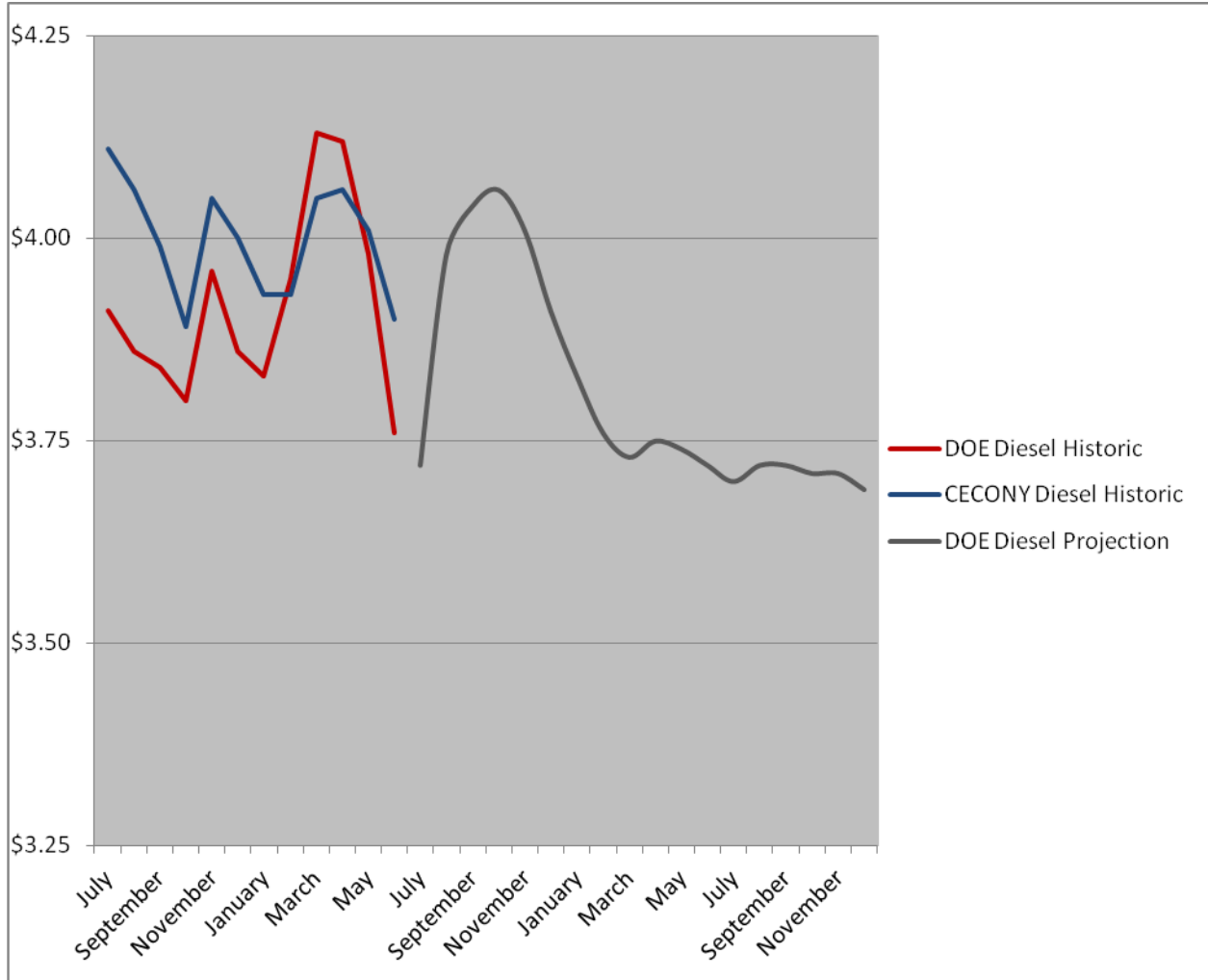


Exhibit B (2)

Chart shows historical difference between DOE PADD-1 gasoline, the data point also used for projection of rate-year expenditure, and CECONY actual prices paid for gasoline during the historical year versus DOE PADD-1 projection through 2013.

