



RECEIVED
PUBLIC SERVICE
COMMISSION
OSEC-FILES-ALBANY
2006 JAN -3 PM 3: 37

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

Reports
03-S-1672
OGC
OE+E
OHADR

January 3, 2006

Via Hand Delivery
Honorable Jaclyn A. Brillling
Public Service Commission
Three Empire Plaza
Albany, New York 12223

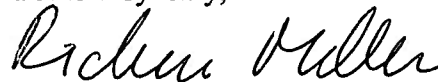
Re: Case No. 03-S-1672 - Con Edison Steam Business Development Plan

Dear Secretary Brillling:

Consolidated Edison Company of New York, Inc. ("Con Edison" or "Company") respectfully submits its first quarterly status report, as required by the Commission's December 5, 2005 order in Case 03-S-1672 ("SBD Order"), on the Company's steam business development plan ("SBD Plan"). While the SBD Order does not require work plans for all of the SBD Plan recommended action items, the Company will include work plans for all action items as a convenience to the parties and the Commission (except those that had to be completed and were included as part of the current steam rate filing, such as steam demand charges).

This first quarterly report, which is being provided less than 30 days after the SBD Order, contains SBD Plan action item work plans that have been completed to date (attached hereto). The Company notes that some of the SBD action items are longer term, and the Company therefore focused first on those recommendations that are high priority. The Company plans to complete work plans for the remainder of the nineteen SBD Plan action items by January 30, 2006. Accordingly, the Company will have completed work plans for all of the action items when it files its next quarterly status report on April 1, 2006, which will also include updates where appropriate on the deliverables in each work plan. The Company also notes that it has committed to provide work plans for each of the action items, as they become available, to the active parties in the Company's current steam rate proceeding.

Yours very truly,


Richard B. Miller
KML

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

Work Plan No. SBDP-1
Account Management System

Objective: Develop and Implement a Comprehensive Customer Account Information System

Implementation: The following steps are proposed for the completion of this work plan:

Step 1 – Research/Current Assessment

1. Research current computer systems, databases and software programs that are currently tracking Steam Business Development Account Management Information and Business Reports.
2. Create business requirements (output and input variables) required for new account management system
3. Review of business process.
4. Meet with Customer Relationship Management vendors to demo software.
5. Conference call with peer groups.

Deliverables:

1. Develop scope of work & specifications for purchase order.
2. Cost Benefit Analysis – Determine if it would be both beneficial and cost effective to purchase system from an outside vendor or to build the system in house.
3. Purchase or Build Software.

Completion Date: February 15, 2006

Services provided by Other Resources: IR Dept, Steam Customer and Business Services & Steam Engineering

Projected Costs: TBD upon receipt of Price Quote

Step 2 – Design and Implementation of Account Management System

1. Discovery Session/Initial kickoff meeting with vendors to review current business processes and reports.
2. Functional Analysis – (documents control, field administration).
3. Prototype Development.
4. Client Installation – (Prototype and Server Installation*).
5. Custom Report Generation & Data Migration.
6. Staff Training.
7. User Acceptance Testing of System with Data Migration.

*IR Dept will determine if Account Management System will be installed on a dedicated server

Deliverables:

1. Design & Implementation of Account Management Systems
2. System & Procedural Documentation
3. Maintenance Process

Completion Date: August 2006

Services provided by Other Resources: IT, Steam Customer & Business Services

Projected Costs: TBD

Appendix A

Action Item Description from Steam Business Development Report

Account Management System

Con Edison Steam should continue and, if possible, accelerate its efforts to develop and implement a comprehensive customer account information system, focusing initially on the combined heating and cooling customers and the large heating customers. This system should include developing detailed equipment inventories, identifying key operating personnel and investment decision makers, aligning influencers (such as engineers, architects, contractors, and building operators) with decision makers, as well as recording contacts and actions.

The benefits of this account management system include getting a much better picture of the needs and perceptions of the top 450 or so customers that account for the preponderance of the system's revenues and margins. These customers are the most vulnerable to conversion and represent the most attractive development opportunities.

Customer data archiving and steam use reporting should also be considered to assist larger users with steam management and budgeting. Con Edison Steam should use this information system to refine its customer and prospect data and information needs, building on the results of the large customer survey.

Con Edison Steam should perform the following tasks in developing, whether internally or through outside vendors, an Account Management System:

- Identify information sources internal to Con Edison and sources external to Con Edison with relevant customer data, building, and development planning information and other salient facts and statistics.
- Build on the work preparing the customer database used in this project and remain mindful of the models and tools that will use the data.
- Outline the information flows within and across organizations (i.e., both internal and external to Con Edison) on major planning topics such as the new building plans and large-scale projects. External organizations should include, at a minimum, NYCEDC, New York City Department of City Planning, Building Owners & Managers Association (BOMA), Real Estate Board of New York (REBNY), New York Energy Consumers Council (NYECC), Consumer Power Advocates (CPA), Trane, Carrier, York, large-scale developers, and MEP engineering firms.
- Develop specifications for the desired account information system to guide discussions with vendors and other parties. The specifications should include, at a minimum, building owners' and managers' contact data, building demographics

(age, floor space, use, etc.), equipment inventory (type, size, age, condition, etc.), major advisors, account history, etc.

- Develop similar specifications for prospects. The prospect management process may be managed within the same system or a separate activity within a sales management system.
- Hold informational discussions at least once when developing or contracting for the development of the Account Management System with no fewer than two vendors of packaged Customer Relationship Management and Sales Force Management systems.
- Explore the systems used by at least three peer companies, perhaps through the offices of IDEA and other trade associations, as well as those used by similarly situated companies.
- Conduct a cost-benefit analysis to determine whether to develop the system internally or go outside for a packaged system.
- Initiate and complete the development or acquisition of the system within 9 months and implement said system no later than 12 months after filing the Business Development Plan with the PSC.

Time Due: 12 months after filing the Business Development Plan with the PSC, except as otherwise noted above.

Priority: High.

Work Plan No. SBDP-4
Develop a Resource Plan for the Business Development Group

Objective: develop a plan to identify staffing of the SBU's Business Development Group, the skills required for the positions and the systems required to support the staff. The plan will also identify external resources needed to improve effectiveness and development of intelligence gathering to identify new opportunities for steam sales.

Priority: High

End Product:

1. Written position descriptions
2. Compensation program
3. System descriptions
4. Identification of Marketing Activities
5. Evaluation of External Resources required
6. Development of Communication Strategy

Completion Date: implementation of the elements defined in this work plan shall be completed by March 2006; schedules for activities provided by others are outlined herein.

Implementation Cost: the anticipated cost for recommended consulting services or other expenses associated with implementation of this work plan are \$10,000.

Work Plan No. SBDP-4
Develop a Resource Plan for the Business Development Group

Objective: develop a plan to identify staffing of the SBU's Business Development Group, the skills required for the positions and the systems required to support the staff. The plan will also identify external resources needed to improve effectiveness and development of intelligence gathering to identify new opportunities for steam sales.

Implementation: the following steps are proposed for the completion of this work plan:

Step 1 –Develop written position descriptions

1. Gather existing position descriptions, job postings and functional definitions. Review for applicability and merge. Meet with other Company departments to identify marketing resources and personnel available. Develop position descriptions for marketing & sales staff positions.

Deliverables:

1. Six - eight position descriptions

Completion Date: 1/15/06

Services provided by Other Resources: none

Projected Costs: \$0

Step 2 – Evaluate Compensation Program

1. Provide position descriptions to company compensation consultants for review and recommendations regarding compensation levels and structure.

Deliverables:

1. Compensation Program Report

Completion Date: 1/20/06

Services provided by Other Resources:

The company has a compensation consultant under contract to review management compensation programs. This consultant will be utilized to provide recommendations for compensation of group staff to enable staff acquisition and retention.

Projected Costs: \$10,000 (stipulated)

Step 3 - Develop staffing plan

Deliverables

Written descriptions of staff positions including marketing and sales positions, compensation program for each position and targeted dates for hiring.

Step 4 - Define Internal & External Resources Required

Deliverables: Lists and description of resources required such as:

Internal

Customer Account Management System

Building databases

Marketing Resources

Electric & Gas

Corporate Communications

External Marketing

Identify requirements and needs.

Completion Date: 1/30/06

Projected Costs: \$0

Step 5 - Define consulting requirements

Deliverables: Develop description of services that can be provided by consultants in addition to those that are already provided to help attract and retain customers.

Completion Date: 2/15/06

Projected Costs: \$0

Step 6 - Evaluate Steam Communications

Deliverables:

Written discussion of strengths and weaknesses of existing communication programs. Proposed improvements to facilitate customer use and expanded content will be identified at this stage.

Completion Date: 2/15/06

Projected Costs: \$0

Continuing Activities after Implementation of Work Plan

By Con Edison: Review, revise and modify marketing programs under direction of Marketing Specialist to be added to Business Development Staff.

Appendix A

Action Item Description from Steam Business Development Report

Develop a Resource Plan for the Steam Business Development Group

Con Edison Steam should develop a resource plan covering internal people, skills, and systems as well as external resources (such as specialized consultants, and databases) needed to meet the expected steam business development activities outlined in this report, with a focus toward marketing and sales.

The plan should at a minimum:

- Identify the required direct customer-contact staff, marketing professionals, and technical expertise while also evaluating candidates with complementary skill sets, such as real estate operations experience or chief building engineer background.
- Identify the skills, knowledge, and abilities required of each of the resources identified above, and describe how those needs will be met. This should include the objective-setting, measurement, and compensation systems to be employed.
- Consider the use of outside compensation experts to provide realistic estimates of required salaries, bonuses, and compensation structures in the type of professional, consultative relationship management positions necessary.
- Identify the required internal and external resources for indirect marketing activities, such as promotion, surveying, product development, customer account system maintenance, etc. The desired balance between salaried staff and consultants should also be determined, taking into account the expected duration of the requirement, the feasibility of attracting and keeping resources in high demand disciplines as employees, and the likely utilization rates of specialized resources, etc.
- Special attention should be paid to the need for a first-rate communication strategy and resources to implement it. In particular, exploiting the potential of web-based communication, promotion, stakeholder services, and positioning should be explored.

Time due: 6 months after filing the Business Development Plan with the PSC.

Priority: High.

Work Plan No. SBDP- 5
Strengthen Relationships with Advisors and Vendors

Objective: Develop a coordinated program to build relationships with key advisors and vendors by:

- Participating and achieving board / committee membership
- Creating and promoting an information source with “portal “ access via Con Edison resources

Priority: High

End Product:

1. Committee membership within strategic association(s).
2. Information source for products services and general information of interest and benefit to our customers.
3. Recognition of our contribution and resources.

Completion Date: September 1, 2006; schedules for activities provided by others are outlined herein.

Implementation Cost: None

Work Plan No. SBDP-5
Strengthen Relationships with Advisors and Vendors

Objective: Develop a coordinated program to build relationships with key advisors and vendors by:

- Participating and achieving board / committee membership
- Creating and promoting an information source with “ portal “ access via Con Edison resources

Implementation: The following steps are proposed for the completion of this work plan:

Step 1 – Research

1. Research and identify who the important energy decision influencers and decision makers are in the Development, Engineering and Vendor community.
2. Research and identify those who participate in or influence the decision but are not a direct party to the transaction.

Deliverables:

1. A list of Developers, Engineers, Venders, their decision makers and influencers.
2. A list of intermediary who influence but are not a direct party to the transaction.

Completion Date: February 28, 2006

Services provided by Other Resources: None

Projected Costs: \$0

Step 2 – Identifying and Targeting Key Organizations

1. Prepare a listing that identifies all Forums, both public and private, that are most frequented by decision makers, their key advisors and vendors.
2. Identify the internal committee structure of interest / relevance to Con Edison Steam’s business priorities, and define policy and timing for progressive enrollment and promotion within the target committees.
3. Assign explicit liaison responsibility to these organizations and to the targeted member committee.

Deliverables:

1. List of Forums / Associations.
2. List of relevant committees within each organization, including existing memberships.
3. List of enrollment procedures for each committees and assessment of the time and effort necessary to establish enrollment.

Completion Date: June 2, 2006
Services provided by Other Resources: None
Projected Costs: \$0

Step 3 – Dissemination of Material

1. Presentations to and utilization of existing trade publications to promote our programs and resources.
2. Presentation/participation at major trade shows, luncheons and civic meetings to promote our programs and resources. Organizations will include the Real Estate Board of New York, Building Owners Management Association, and N.Y. Energy Consumer Council.
3. Development/expansion of corporate web-site to serve as information link to sites for equipment manufacturers, service providers, and other industry resources.
4. Preparation and distribution of a Quarterly Newsletter that highlights accomplishments, team-building successes, and other “notable” news associated with Con Edison Steam.

Deliverables:

1. Participation in critical trade shows, meetings, etc.
2. Advertisements and presentations
3. Enhanced Con Edison Steam website

Completion Date: September 1, 2006 and ongoing
Services provided by Other Resources: None
Projected Costs: \$0 - the anticipated expenses incurred as part of Step 3 are considered to be customary and required as normal business expenses

Appendix A

Action Items Description from Steam Business Development Report

Strengthen Relationships with Advisors and Vendors

Although the building owner may make the final decision on energy systems, it is evident that the facility operators, managers, MEP engineering firms, and vendors play a very large role in the identification of options and the development of the information upon which choices are made.

Con Edison Steam should, in conjunction with the customer account management system described above, develop a coordinated program to build relationships with key energy advisors and vendors. The data, information, and software aspects of the advisor and vendor relationship process are a subset or module of the overall account management system described above. Some representative activities include:

- Identifying and targeting forums in which key advisors and vendors participate and seeking opportunities to present the steam business perspective.
- Developing a presence at the forums in which public and private development initiatives and decisions affecting the Con Edison Steam market are reviewed.
- Assigning explicit liaison responsibilities to major trade and advocacy groups, such as BOMA, REBNY, NYECC, and CPA.
- Exploring Internet-based channels of information dissemination and going beyond the provisions of tariffs and contact data to include technical and commercial steam-related information and pursuing an active program of linkages to the sites of important players and steam-related data sources, and industry resources. The goal should be to become known as the key source for steam-related information.

The benefits of this program include closer relationships with vendors and advisors, earlier notice of potential heating and cooling decisions, and additional opportunities to receive or disseminate steam-related information. Many of the customer account management systems discussed above can handle the information storage and management aspect of this system.

Time due: 12 months after filing the Business Development Plan with the PSC.

Priority: High.

Work Plan No. SBDP- 6
Develop Targeted Marketing Plan

Objective: Develop a targeted marketing plan to identify and then “sell to” the business priorities of our targeted market(s). The ultimate objective is to improve the utilization of steam within strategic markets and submarkets, and thereby improving the profitability of the overall Business.

Priority: High

End Product:

1. A listing of business priorities and preference by market (such as commercial, large residential, hospital) and submarket (heating, cooling) sectors.
2. Assessment of Con Edison Steam’s positioning to maximize its “value” to these business priorities.
3. Market-specific materials (such as flyers, bulletins, web-based resources) that promote and substantiate Con Edison’s value to these markets.
4. Status reports to supporting agencies to demonstrate benefits achieved through its program.

It is noted that certain materials to be developed within this work plan are considered to be confidential in content and will be retained as such by Con Edison.

Completion Date: April 1, 2006; schedules for activities provided by others are outlined herein.

Implementation Cost: none – the anticipated expenses incurred as part of this work plan are considered to be customary and required as normal business expenses

Work Plan No. SBDP-6
Develop Targeted Marketing Plan

Objective: Develop a targeted marketing plan to identify and then “sell to” the critical business priorities of our targeted market(s). The ultimate objective is to improve the utilization of steam within strategic markets and submarkets, and thereby improving the profitability of the overall Business

Implementation: The following steps are proposed for the completion of this work plan:

Step 1 – Market Classifications

1. Segregate major Steam customers, existing and potential new, into different Market sectors (at least three). Classifications will include primary building usage, principal decision maker, decision “influencers”, representative Steam customers, and market size to Steam

Deliverables:

1. Market Classification listing

Completion Date: January 13, 2006

Services provided by Other Resources: None

Projected Costs: \$0

Step 2 – Review/Confirm Decision Priorities by Market

1. Interview industry resources (property managers, developers, and architects/engineers) to identify the primary and secondary priorities that influence the selection of building’s energy source(s). Establish a ranking system that defines the comparative importance of these factors.
2. Review/”Validate” the accuracy of these decision priorities based on recent market success. Adjust ranking system as appropriate.

Deliverables:

1. Expanded Market Classification listing, including decision priorities and ranking factors

Completion Date: January 27, 2006

Services provided by Other Resources: None

Projected Costs: \$0

Step 3 – Define Advantages of Con Edison Steam in recognition of the Market-Specific Decision Priorities

1. For each market category, review the advantages and disadvantages of Con Edison Steam to meet the priorities of the decision maker
2. Establish the key factor(s), under control by Con Edison or by others, that will increase or maintain the market success of Con Edison Steam. These factors may be cost-based or may be "value of service" related.

Deliverables:

1. Expanded Market Classification listing, including Key Factors for success by Con Edison Steam.

Completion Date: February 3, 2006

Services provided by Other Resources: None

Projected Costs: \$0

Step 4 – Prepare and Issue Market-Specific Marketing Materials

1. Prepare market-specific materials (such as brochures, flyers, presentations and/or "Fact Sheets") that demonstrate the value of Con Edison Steam. Materials will be prepared to emphasize the benefits of Steam in recognition of the business priorities.
2. Distribute these materials to the Decision Makers and "Influencers" via email, trade publications, and at conferences and meetings.

Deliverables:

1. Marketing Materials

Completion Date: March 1, 2006 and ongoing

Services provided by Other Resources: Reproduction and publishing

Projected Costs: \$0 – the anticipated expenses incurred as part of this work plan are considered to be customary and required as normal business expenses

Appendix A

Action Item Description from Steam Business Development Report

Develop Targeted Marketing Plan

The Steam Business Development Group should develop targeted marketing plans with a focus on retaining and expanding sales. The idea of targeted marketing is to first identify and then target smaller, yet more profitable, customer groups within a total market. The plan should:

- Identify market segments. For examples, the steam unit could break down the market by at least three segments, including industry, building type, and revenue.
- Conduct research within industry and building types to identify the factors most likely to influence energy, among existing customer base, choice for a facility.
- Once the factors are identified, develop specific marketing campaign materials per industry, with specific "facts" that demonstrate the value of steam to the customer.
- Target promotions to the decision makers. Once promotions have been implemented, determine effectiveness of the strategy employed and redesign ineffective promotions.

Time due: 6 months after filing the Business Development Plan with the PSC.

Priority: High.

Work Plan No. SBDP-10
Improve Efficient Steam Usage by Customers

Objective: Develop initiatives to stimulate efficient steam usage by customers.

Priority: High

End Product:

1. List of "approved" vendors that could be employed by customers to improve steam usage efficiency.
2. Web based customer survey.
3. Web based description of cost effective demand reduction and efficient steam use measures.
4. List of retrofit project financing programs.
5. Initiation of demonstration projects of widely applicable steam peak management technologies and steam usage reduction technologies with funding from NYSERDA. Alternatively, identification of existing buildings that have demand reduction measures or steam efficiency measures installed and are willing to be used for case studies.

Completion Date: implementation of the elements defined in this work plan shall be completed by March 1, 2007; schedules for activities provided by others are outlined herein.

Implementation Cost: the anticipated costs for recommended consulting services or other expenses associated with implementation of this work plan are projected to be \$50,000 to \$100,000.

Work Plan No. SBDP-10
Improve Efficient Steam Usage by Customers

Objective: Develop initiatives to stimulate efficient steam usage by customers.

Implementation: the following steps are proposed for the completion of this work plan:

Step 1 – Research

1. Research and identify energy auditing firms, steam equipment manufacturers and others who could provide support to assist Con Edison Steam customers to make better use of their equipment and reduce steam consumption.
2. Research and identify energy improvement/retrofit project financing programs.

Deliverables:

1. List of “approved” vendors that could be employed by customers to help improve steam usage efficiency.
2. List of energy improvement/retrofit project financing programs.

Completion Date: April 1, 2006

Services provided by Other Resources: None

Projected Costs: \$0

Step 2 – Customer Survey and Identification of Measures

1. Prepare a web-based customer survey form to obtain information on aspects that the customer is looking to improve. Based on the information in the survey form, Con Edison will recommend an appropriate vendor to the customer.
2. Identify and rank steam efficiency and demand reduction measures.

Deliverables:

1. Web based customer survey.
2. Web based description of cost effective demand reduction and efficient steam use measures.

Completion Date: July 1, 2006

Services provided by Other Resources: None

Projected Costs: \$0

Step 3 – Demonstration Projects

- A. Install Demonstration Projects
1. Identify measures for testing

2. Seek NYSERDA funding for the testing program. If unsuccessful, perform activities in "B" below.
3. Identify customers willing to participate
4. Initiate installation work

B. Alternatively, Identify Customers with Measures Already Installed

1. Identify customers that have demand reduction measures or steam efficiency measures installed
2. Screen for customers willing to be used for case studies
3. Develop a method to quantify steam consumption and demand savings

Deliverables:

- A. Initiation of demonstration projects of widely applicable steam peak management technologies and steam usage reduction technologies with funding from NYSERDA. OR:
- B. Alternatively, identification of existing buildings that have demand reduction measures or steam efficiency measures installed and are willing to be used for case studies.

Completion Date: March 1, 2007

Services provided by Other Resources: Consulting engineering

Projected Costs: \$100,000 for A, OR \$50,000 for B

Continuing Activities after Implementation of Work Plan

By Con Edison: Assess the success of the demonstration projects by quantifying steam consumption savings and/or demand reduction.

Appendix A

Action Item Description from Steam Business Development Report

Improve Efficient Steam Usage by Customers

Con Edison Steam should evaluate pricing and other initiatives to stimulate efficient steam usage by customers. Elements of this evaluation should include the following, other concepts developed by the Business Development Group, and discussions with customers, developers, MEP engineering firms, and others.

- Identifying opportunities where steam and HVAC equipment and service providers could be leveraged by Con Edison Steam to provide training, energy audits, and other support to assist Con Edison Steam customers to make better use of their steam equipment and to identify opportunities early in the decision process. These interactions will often generate leads and will enhance the relationship.
- Identify priorities among readily available industry information and technical support options, including government programs such as DOE Steam Best Practices. These “off-the-shelf” programs may be easier to implement in the short term rather than creating an entirely new program at Con Edison.
- Explore the available enabling technologies, including but not limited to wireless interruption or peak load management action signals, thermal storage, pre-heating techniques etc., and educate customers on their potential.
- Explore opportunities to offer operations or efficiency management services to customers, particularly NYPA customers, and facilitate the ability of customers to obtain favorable financing for new chillers, equipment upgrades, and other capital expenditures.
- Develop and initiate a steam customer efficiency outreach program, focusing on the largest customers most vulnerable to switching. It should work with NYSERDA to sponsor or fund some high-visibility demonstration projects of widely applicable steam peak management technologies. Use of case studies, testimonials, and awards could bring mutual benefit.

Time Due: 12-18 months after filing the Business Development Plan with the PSC

Priority: High

Work Plan No. SBDP-12
Develop Hybrid Steam Chiller Product Option

Objective: prepare and promote the use of steam chillers in hybrid mode with electric chillers. Con Edison has developed modeling techniques to be shared with customers, consultants and vendors that will aid in the evaluation and implementation of hybrid cooling. Con Edison will share these techniques with third parties to demonstrate the benefits of hybrid cooling and work with NYSERDA to develop a demonstration project in conjunction with an existing hybrid cooling customer.

Priority: Medium

End Product: Presentation and demonstration of computer models and economics of hybrid chiller operations.

Completion Date: Implementation of the elements defined this work plan shall be completed by September 1, 2006 (schedules for activities provided by others are outlined herein).

Implementation Cost: Costs associated with implementation of this work plan will be expenses related to developing a demonstration project. These expenses would be additional monitoring and control devices for display of information and operating variables. The amount will depend upon which customer's installation is utilized and the degree that NYSERDA may participate.

Work Plan No. SBDP-12
Develop Hybrid Steam Chiller Product Option

Objective: Prepare and promote the use of steam chillers in hybrid mode with electric chillers. Con Edison has developed modeling techniques to be shared with customers, consultants and vendors that will aid in the evaluation and implementation of hybrid cooling.

Implementation: the following steps are proposed for the completion of this work plan:

Step 1 – Description

Develop, refine and package the optimization modeling prepared for existing customers. Develop presentation materials for communicating with owners, advisors, vendors and agencies the benefits of hybrid chiller plants

Deliverables: Computer optimization model of hybrid chiller operation. Power Point Presentation, Printed material

Completion Date: April 1, 2006

Projected Costs: \$0

Step 2 – Description

Reconvene the chiller working group formed to advocate for renewing the steam to steam NYSERDA incentives. Expand the scope of interest and identify existing hybrid chiller locations that could become demonstration projects, lobby NYSERDA for expanded incentives to overcome first cost steam premium.

Deliverables: Formation of working group.

Completion Date: May 1, 2006

Projected Costs: \$0

Continuing Activities after Implementation of Work Plan

By Con Edison: document, communicate and market hybrid steam cooling plants.

By Others: Chiller working group to monitor NYSERDA activities to maintain incentives.

Appendix A

Action Item Description from Steam Business Development Report

Develop Hybrid Steam Chiller Product Option

Con Edison Steam should work with vendors, MEP engineers, architects, developers, and others to expand interest in and use of hybrid steam/electric chillers.

To support this option, NYSERDA, NYPA, and NYCEDC should be more engaged in the development of the concept as an alternative to 100 percent electric chiller installations in new buildings and in the replacement market. Consideration should be given to crediting Con Edison Steam customers, perhaps through Con Edison's DSM program, a portion of the value of avoided electricity generation attributable to the steam component of the hybrid system. This credit could provide incentives necessary to make the investment in marketing and supporting these electricity peak reduction facilities attractive to Con Edison steam customers.

Other recommendations associated with the development of the hybrid chillers include:

- Continuing the product opportunity analysis, moving from secondary research to co-development, actively involving customers, advisors, vendors, the MEP engineering community, the City, and NYSERDA.
 - Create a working or advisory group comprised of people from the groups above.
 - Refine the market potential estimates, identifying some high-potential customers or prospects.
 - Build on the current internal effort to simulate hybrid chiller configurations, value, and costs.
 - Assemble a working team of potential customers/prospects, MEP engineers, and, possibly, an interested vendor to provide technical insight and operating cost information.
 - Identify and install real time metering and data archiving tools on a "case study" hybrid chiller facility currently in operation in Manhattan to monitor and report on operating results of hybrid plant operation.
- Naming a governmental/regulatory project leader to coordinate with governmental and other agencies.
 - Explore support for early demonstration projects and/or broader support for the hybrid choice as a new or replacement chiller product with NYSERDA.
 - Explore demand management and reduction programs that are compatible with the operating capabilities of hybrid chiller systems with NYISO.

- Exploring with vendors the possibility of a hybrid steam and electric chiller package that anticipates questions and concerns, thereby moving the option closer to being a routinely evaluated alternative, especially in the electric chiller replacement market with heat-only customers.

Time due: Progress report 12 months after filing of the Business Development Plan with the PSC.

Priority: Medium.

Work Plan No. SBDP-14
Develop An Enhanced Steam Price Risk Management Product

Objective: Solicit customer and customer advocacy group input into why the previous programs have been unsuccessful. Assess industry experience for successful programs at other utilities.

Priority: Medium/High

End Product: An enhanced steam fixed fuel price offering.

Completion Date: On April 1, 2006, provide a status report on the efforts to develop an enhanced offering.

Implementation Cost: There are no costs for expenses associated with the required review. There may be, however, costs related to implementing a new hedging program, if appropriate, which has not been determined.

Background:

There have been three offerings developed and implemented in coordination with NYECC:

Initial Offering: Subsequent to our 10/7/04 meeting, SBU sent out a customer letter and NYECC sent out their 10/22/04 notice re: A New Way To Control Winter Steam Pricing to their members. 12 customers enrolled – not NYECC members. Contracted monthly volumes, for December 2004 to March 2005, totaled 55,251.45 Mlbs.

Second Offering: Obtained feedback in continuing program and developing offering for summer of 2005. SBU sent out customer letter and placed on Steam website. 13 customers enrolled. Contracted monthly volumes for June 2005 to August 2005, totaled 98,589.25 Mlbs.

Third Offering: After September 2005 discussion to develop a winter option or a year option, SBU sent out a customer letter, placed the letter and the program enrollment form on the Steam website. Three customers enrolled. Contracted monthly volumes, for November 2005 to September 2006, totaled 8,205 Mlbs.

Work Plan No. SBDP-14
Develop An Enhanced Steam Price Risk Management Product

Objective: Solicit customer and customer advocacy group input into why the previous programs have been unsuccessful. Assess industry experience for successful programs at other utilities.

Implementation: the following steps are proposed for the completion of this work plan:

Step 1 – Description

Solicit, coordinate and summarize feedback from previous program participants, NYECC and other customer groups of the benefits and deficiencies of previous efforts.

Deliverables: Feedback summary

Completion Date: February 15, 2006

Projected Costs: none

Step 2 – Description

Benchmark with other utilities for their experience with fixed price offerings:

- Research/contact NYS utilities
- Contact utilities outside of New York

Deliverables: Benchmarking Report

Completion Date: March 15, 2006

Projected Costs: none

Continuing Activities after Implementation of Work Plan

By Con Edison: Develop and implement subsequent periodic offerings (e.g., winter option, annual option, etc.)

By Others: none

Appendix A

Action Item Description from Steam Business Development Report

Develop an Enhanced Steam Price Risk Management Product

Customers have expressed strong interest in a product that would offer them protection from the volatility of fuel prices (fuel oil and natural gas used to produce steam). Con Edison has a fixed price option and has been reviewing it with customers. To determine how to enhance this product, Con Edison should:

- Solicit customer and customer advocacy group input into why the previous programs have been unsuccessful.
- Assess industry experience for successful programs at other utilities.

Time due: Provide an update on the fixed rate option in its upcoming rate case filing, and report on April 1, 2006 concerning the status of its efforts.

Priority: Medium/High