

**CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.**  
**CASES 16-E-0060 and 16-G-0061**  
**SUMMARY OF ELECTRIC & NATURAL GAS**  
**JOINT PROPOSAL**

September 20, 2016

The Joint Proposal (JP or Proposal) submitted by Consolidated Edison Company of New York, Inc. (Con Edison or the Company), Department of Public Service Staff, New York Power Authority, the City of New York, United States General Services Administration, Consumer Power Advocates, New York Energy Consumers Council, Inc., Pace Energy and Climate Center, Environmental Defense Fund, National Resources Defense Council, Acadia Center, Metropolitan Transportation Authority, Time Warner Cable, Inc., Community Housing Improvement Program, Northeast Clean Heat and Power Initiative, Energy Concepts Engineering PC, Association for Energy Affordability, Inc., Great Eastern Energy, Digital Energy Corp., Joint Supporters, The E Cubed Company, LLC and Real Estate Board of New York (collectively, the Signatory Parties) proposes three-year Rate Plans for Con Edison's electric and natural gas services. Both Rate Plans are to be effective as of January 1, 2017, with Rate Year 1 (RY1), Rate Year 2 (RY2) and Rate Year 3 (RY3) defined as calendar year 2017, 2018 and 2019, respectively.

The Rate Plans balance the varied interests of diverse Signatory Parties. The Rate Plans incorporate many projects and programs that will be beneficial to customers, including: acceleration of the Company's natural gas leak prone main replacement programs, gas and electric low income programs, reliability performance metrics, and investments in advanced metering infrastructure (AMI) and associated customer awareness and rate pilot programs. The JP also incorporates a number of Reforming the Energy Vision (REV) initiatives, including:

earnings adjustment mechanisms (EAMs) related to system efficiency, energy efficiency, and distributed generation (DG) interconnections; improvements to electric standby rates; and investments in distributed system platform enabling technologies. The major components of the Proposal are summarized below.

Revenue Requirements

The JP proposes the following revenue requirement changes:

	Electric			Gas	
	Unlevelized \$ (millions)	Levelized \$ (millions)	Delivery Rate Increase	\$ (millions)	Delivery Rate Increase
RY1	\$242.3	\$199.0	3.9%	\$35.5	3.1%
RY2	\$155.3	\$199.0	3.7%	\$92.3	7.5%
RY3	\$155.2	\$199.0	3.6%	\$89.5	6.7%

The RY1 electric revenue increase of \$194.5 million is in addition to the \$47.776 million increase (resulting in a total increase of \$242.3 million) in electric delivery service revenues effective January 1, 2017, as established by the Commission in the *Order Adopting Terms of Joint Proposal to Extend Electric Rate Plan*, issued June 19, 2015, in Cases 15-E-0050 and 13-E-0030. The Parties propose that the electric base rate changes and \$47.776 million be levelized to provide rate stability over the term of the Electric Rate Plan.

The RY1 gas revenue decrease of \$5.4 million is offset by the \$40.856 million increase in gas delivery service revenues (resulting in a \$35.5 million increase) effective January 1, 2017, as established by the Commission in the *Order Approving Electric, Gas and Steam Rate Plans in Accord with Joint Proposal*, issued February 21, 2104, in Case 13-G-0031.

## REV Initiatives

### System Peak Reduction and Energy Efficiency Programs

The JP includes provisions that expand the existing energy efficiency programs and implements a system peak reduction program that includes an off-peak electric vehicle charging program. The Company is authorized to recover incremental costs associated with these programs, up to the budget included in the Proposal, and must demonstrate that the program costs are justified through a benefit cost analysis (BCA).

### Standby Rates

The JP implements the reliability credit directed in the Commission's Order *Adopting a Ratemaking and Utility Revenue Model Policy Framework*, issued May 20, 2016, in Case 14-M-0101 (Track Two Order). The Proposal also establishes a bill credit for SC 11 buy back customers and a standby/export rate pilot to encourage development of efficient distributed energy resources.

### Earnings Adjustment Mechanisms

The Proposal includes EAMs for achievements associated with the incremental energy efficiency and system peak reduction programs, as well as outcome-based metrics intended to increase system efficiency and reduce energy consumption as directed by the Track Two Order.

The JP also establishes an EAM for DG interconnections above 50 kW to 5 MW. This EAM is intended to reward the Company for applicant satisfaction and timely application processing.

There is also an opportunity for the Company to earn an EAM related to customer awareness of AMI during the AMI deployment period.

### Return on Equity and Equity Ratio

These revenue requirements reflect a common equity ratio of 48.00% and a return on equity (ROE) of 9.0% for both businesses.

### Earnings Sharing Mechanism

The JP proposes earnings sharing mechanisms that provide for a distribution of any potential earnings above specified ROE thresholds as follows:

Customers/Shareholders	Electric and Gas
50%/50%	>9.5% to < 10.0%
75%/25%	At 10.0% to < 10.5%
90%/10%	At or > 10.5%

Fifty percent of the Company's share, and the full amount of the customers' share, of any potential shared earnings will be used to reduce deferred Site Investigation and Remediation costs.

### Electric Reliability

The JP continues the majority of the metrics and revenue adjustments currently in effect under Con Edison's Electric Reliability Performance Mechanism with the exception of the Restoration Performance and the Intrusion Detection System metrics, which will be discontinued. In Case 13-E-0140, the Commission approved a scorecard that is used to quantitatively assess an electric utility's performance in restoring electric power after a significant outage. This scorecard addresses the goal of the Restoration Mechanism metric and therefore makes the metric duplicative and unnecessary. The Intrusion Detection System metric is no longer needed because the Company has met the requirements of the metric by installing intrusion detection systems at 12 bulk power substations before April 30, 2015.

### Gas Safety

The Proposal modifies certain Gas Safety Performance Measures, including those related to the replacement of leak prone pipe, leak backlog management, damage prevention targets, and gas safety violations performance measures, which impose a negative revenue adjustment for non-compliance with certain

pipeline safety regulations. The Proposal also calls for the Company to replace or eliminate 80 miles of leak prone main in 2017, 85 miles in 2018, and 90 miles in 2019, and following 2019 to increase replacement/elimination by five miles a year until the target reaches 100 miles per year. If Con Edison fails to meet its leak prone pipe target in any calendar year, the Company will be subject to a negative revenue adjustment. The Proposal also provides the Company with an opportunity to receive a positive revenue adjustment for each full mile of main replaced in excess of the rate year target plus one additional mile, capped at a maximum of 10 basis points per rate year, and for reducing the leak backlog, capped at a maximum of 5 basis points per rate year.

The JP also establishes new provisions to improve Con Edison's gas service termination process with respect to inactive gas accounts ("soft-offs"). In addition, the JP provides for upgrades at the Westchester County Gas Emergency Training Facilities, as well as for additional funding on gas emergency training programs. Finally, the JP implements a Methane Detector Program by which the Company will provide detectors to residential customers on a first-come, first-serve basis at no charge, with low income customers receiving half of these devices.

#### Customer Service

The JP sets targets and associated incentives for the Company's level of delivery-related uncollectible expenses and the number of terminations for non-payment. The Proposal recognizes that the Company will start taking steps to replace the Company's existing customer service system over a five-year period beginning in RY2. The Company will also make available comparative usage information to customers as part of the Digital Customer Experience (DCX) project.