conEdison
a conEdison, inc company

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

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June 30, 2008

Via Overnight Delivery

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

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

Dear Secretary Brilling:

Consolidated Edison Company of New York, Inc. respectfully submits an original and five copies of its July1, 2008 steam business development plan quarterly status report, as required by the Commission's December 5, 2005 order in Case 03-S-1672. There are only two action items on which the Company had been reporting, and the Company will continue to work on these items as part of the Steam Efficiency Collaborative that is proposed as part of the Joint Proposal (at 24-25) that was filed with the Commission on June 16, 2008 in Case 07-S-1315. Accordingly, the Company has completed its work on all action items and will not file any more reports, subject to the Commission's approval of the Joint Proposal with the Collaborative.

Thank you very much. Please contact the undersigned if you have any questions.

Yours very truly,

Richard B. Miller

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

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

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

Overall Completion Date: September 1, 2007

Summary of Activities, 1st Quarter 2006:

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

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

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

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

Anticipated Activities, 2nd Quarter 2006:

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

Summary of Activities, 2nd Quarter 2006:

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

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

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

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

Anticipated Activities, 3rd Quarter 2006:

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

Summary of Activities, 3rd Quarter 2006:

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

Anticipated Activities, 4th Quarter 2006:

Prepare and seek to finalize agreements for two customer sites.

Summary of Activities, 4th Quarter 2006:

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

Anticipated Activities, 1st Quarter 2007:

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

Summary of Activities, 1st Quarter 2007:

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

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

Anticipated Activities, 2nd Quarter 2007:

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

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

3. Execute the agreement with the second customer.

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

Summary of Activities, 2nd Quarter 2007:

1. Contacted the NYCDEP to clarify its rules pertaining to granting a wastewater allowance by reducing the conversion factor (the factor used to convert steam sales quantity to condensate discharge) for steam customers who re-use condensate. NYCDEP clarified that condensate re-use customers may apply for a reduction in the conversion factor. This information will be posted on the Steam Web site.

2. Secured partial funding from NYSERDA for the two pilot projects.

3. The hardware installation at the residential location is complete.

4. Continued to negotiate with the commercial customer.

5. We have learned that heat recovery from condensate that offsets steam consumption is eligible for EPA's EnergyStar program and the LEED program. Furthermore, condensate reuse may help with LEED recognition because doing so will improve water usage efficiency.

Anticipated Activities, 3rd Quarter 2007:

Initiate data acquisition at both locations to assess effectiveness.

Summary of Activities, 3rd Quarter 2007:

We have initiated data acquisition at one customer location. The agreement has been finalized at the other customer location and installation work has started.

We are working with ` on a feasibility study to demonstrate how steam condensate is an excellent source of heat for soils and for the creation of small gardens for green roof applications.

Anticipated Activities, 4th Quarter 2007:

Continue data acquisition at one location and initiate data acquisition at the other location to assess effectiveness.

Review and approve proposal from Cooper Union on the steam condensate/green roof feasibility study.

Summary of Activities, 4th Quarter 2007:

We have initiated data acquisition at both customer locations.

We provided a grant to Cooper Union for construction of a demonstration project to provide a controlled and optimized source of heat from steam condensate to the soil on a green roof.

Anticipated Activities, 1st Quarter 2008:

We will continue to monitor both projects.

Summary of Activities, 1st Quarter 2008:

Data acquisition is continuing at both customer locations.

Cooper Union has initiated the green roof project.

Anticipated Activities, 2nd Quarter 2008:

Continue to monitor data acquisition at both customer sites.

Arrange a meeting with Cooper Union to assess project progress.

Summary of Activities, 2nd Quarter 2008:

Data acquisition is continuing at both customer locations. At both locations, while heat is being recuperated from the condensate for domestic hot water and, at one location, the condensate is being used for cooling tower makeup, measuring condensate flow has

proven to be challenging due to inherent low flow conditions. We are working with the instrumentation vendor to find a solution to this issue.

Met with Cooper Union to observe the progress of the project, "Harvesting Waste Steam Heat to Warm the Soil of Green Roofs to Accelerate Plant Growth and Extend the Growing Season." In this project, a heat exchange system is being used to recapture the heat from condensate and transmit it to roof gardens where it will accelerate plant growth and prolong the growing season. Plant growth data is being collected.

As part of a Joint Proposal of the most recent Steam Rate Case (07-S-1315), the Company will convene a collaborative of interested parties to consider the market potential for steam energy efficiency programs for steam customers. On or about April 15, 2009, the Company will provide to the PSC a report on the results of the collaborative. As part of that report, we will provide a status report on these three condensate re-use projects.

This Work Plan is now completed.

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

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

Overall Completion Date: ongoing

Summary of Activities, 1st Quarter 2006:

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

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

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

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

to avoid conflict or modifications with the scope and intent of the existing NYC programs.

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

Anticipated Activities, 2nd Quarter 2006:

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

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

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

Summary of Activities, 2nd Quarter 2006:

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

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

Anticipated Activities, 3rd Quarter 2006:

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

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

Summary of Activities, 3rd Quarter 2006:

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

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

Anticipated Activities, 4th Quarter 2006:

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

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

Summary of Activities, 4th Quarter 2006:

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

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

Anticipated Activities, 1st Quarter 2007:

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

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

Summary of Activities, 1st Quarter 2007:

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

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

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

Anticipated Activities, 2nd Quarter 2007:

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

2. Follow up on WTC.

Summary of Activities, 2nd Quarter 2007:

1. We answered an additional information request from the City concerning the proposed ECSP program. We are awaiting the City's response.

2. The current plan of the developer of the WTC towers is to not use central chilled water plants, which was the only viable option for steam chilling.

3. We met with NYSERDA to discuss Con Edison's concerns about incentive levels for steam cooling. They indicated that they may be able to raise the project incentive cap of $1 million. They will also review the "65% of eligible cost" and "differential electric vs. steam installation cost" incentive caps for possible changes.

Anticipated Activities, 3rd Quarter 2007:

We will continue to work with the City and NYSERDA.

Summary of Activities, 3rd Quarter 2007:

NYSERDA recently increased the project cap from $1 million to $1.25 million, but it is unclear if this incentive is sufficient for steam chiller projects that otherwise may be cost effective.

We are still awaiting the City's response on the ECSP steam cooling program.

Anticipated Activities, 4th Quarter 2007:

A meeting with NYSERDA representatives is scheduled for early October. We are continuing to discuss with NYSERDA the need for steam-specific adjustments to the project cap to encourage the installation of steam chillers.

Summary of Activities, 4th Quarter 2007:

A meeting was held with representatives from NYSERDA on October 4, 2007. Items discussed included increases to the project cap, steam cooling costs, the potential for steam microturbines, current CHP projects, and a review of specific steam cooling installations.

We are still awaiting the City's response on the ECSP steam cooling program.

Anticipated Activities, 1st Quarter 2008:

We will schedule meetings with NYSERDA and NYCEDC in January 2008 to move these incentive programs forward.

Summary of Activities, 1st Quarter 2008:

A meeting was held with representatives from NYSERDA on February 28, 2008. Items discussed included increases to the project cap, steam cooling costs, current CHP projects, and a review of specific steam cooling installations.

We are still awaiting the City's response on the ECSP steam cooling program.

Anticipated Activities, 2nd Quarter 2008:

We will schedule meetings with NYSERDA and NYCEDC to move these incentive programs forward.

Summary of Activities, 2nd Quarter 2008:

Representatives from Con Edison have met numerous times over the past few years with NYSERDA representatives. Topics discussed included the Peak Load Reduction Program (PLRP) incentive levels, where the incentive levels and the project cap had been increased in recent years (up to $600 to $1,000/kW and a project cap of $1.25 million). Unfortunately, under this program (PON 1097), the incentive levels continued to be below the levels that would make steam cooling competitive with electric cooling. We have continually expressed this point to NYSERDA during the meetings.

PON 1097 expires on June 30, 2008. On May 22, NYSERDA presented at a Con Edison-sponsored Steam Cooling seminar and announced that the PLRP is being merged with the Enhanced Commercial Industrial Performance Program (ECIPP), which will be issued as PON 1219. Based on conversations with NYSERDA representatives at the seminar, we were informed that, under the new program, the incentives will be based on kWh energy savings rather than kW demand reduction. Con Edison estimates that, as a result of this change, the new incentive levels for steam chillers will be significantly lower than the current levels.

In terms of the proposed ECSP steam cooling program, we were recently informed by New York City that NYCEDC supports the concept of a steam incentive that is equivalent to ECSP, but which takes into account the differences between steam and electric service. NYCEDC states that it has been engaged in a long-running discussion with the City Office of Management and Budget on a financial commitment from the City to complement other steam incentives available from Con Edison and other sources such as NYSERDA. The NYCEDC Energy Policy Department has indicated its willingness to seek a City commitment for the 2009 Fiscal Year.

It is Con Edison's position that in order for steam cooling to be a viable option for its customers, incentive levels in terms of capital and operating costs needs to be increased to levels that make ownership costs of steam cooling equivalent to those of electric cooling.

As part of a Joint Proposal of the most recent Steam Rate Case (07-S-1315), the Company will convene a collaborative of interested parties to consider the market potential for steam energy efficiency programs for steam customers. It is our intention to raise the issue of steam cooling incentives in this collaborative in order to obtain a consensus of the parties and their active support to increase the incentives available.

This Work Plan is now completed.