

Case 09-G-0795 – 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

**CON EDISON'S OIL TO GAS CONVERSION
INCENTIVE PROGRAM
RATE YEAR 1 REPORT**

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1. INTRODUCTION

The New York State Public Service Commission, (“Commission”) in its *Order Establishing Three-Year Steam and Gas Rate Plans and Determining East River Repowering Project Cost Allocation Methodology*, issued and effective September 22, 2010 in Case 09-G-0795 among others (“Order”), adopted a three-year gas rate plan (“Gas Rate Plan”) for Consolidated Edison Company of New York, Inc. (“Con Edison” or “Company”).

The Gas Rate Plan continues Con Edison’s oil- to-gas conversion financial incentive program (“Program”) for each of the three rate years of the Gas Rate Plan (Order, Attachment 1 at p. 10). Pursuant to the Order, up to \$1.465 million in incentives provided to participating customers during a rate year is funded through a surcharge to the Monthly Rate Adjustment (“MRA”). Any incentives provided in excess of \$1.465 million during a rate year are, therefore, funded by Con Edison and not recoverable through the MRA.

The Order requires Con Edison to submit a report to the Secretary of the Commission within 60 days of the end of each rate year on activities under the Program during the prior rate year including program descriptions and the amounts of incentives committed and/or disbursed along with the number of customers and estimated sales in aggregate by service classification. In addition, Con Edison is required to maintain a list of recipients of incentives of \$500 or more for inspection by Staff. The information required to be reported is provided in Sections 2 through 5 below for the first rate year (the twelve months ended September 30, 2011) of the Gas Rate Plan.

2. ACTIVITIES

- Mailed flyers to approx. 45,000 potential residential 1-4 customers and approximately 14,000 potential 5-75 unit buildings and posted program information and updates on the Con Edison website.
- Communicated regularly with the contractor community across the Company’s gas service territory providing them with information regarding the oil to gas conversion programs and associated rebates, as well as informing them of the high efficiency gas heating equipment rebates.
- Utilized the CRM database, Salesforce, to assist in processing applications and for tracking and generating reports.

3. **PROGRAM SUMMARY**

Program #1

Program A Start Date: October 1, 2010
Deadline for Application/Documentation: February 28, 2011
Boiler Installation Date: April 15, 2011

Program B Start Date: March 1, 2011
Deadline for Application/Documentation: June 24, 2011
Boiler Installation Date: August 19, 2011

Program #2

Program A Start Date: October 1, 2010
Deadline for Application/Documentation: February 28, 2011
Boiler Installation Date: April 15, 2011

Program B Start Date: March 1, 2011
Deadline for Application/Documentation: June 24, 2011
Boiler Installation Date: August 19, 2011

Program #3

Program Start Date: October 1, 2010
Program End Date: September 30, 2011

ELIGIBILITY REQUIREMENTS

For current eligibility requirements of all three programs described below, please refer to Appendix B (Oil Heating to Gas Heating Conversion Incentive Programs) of Con Edison's Sales and Transportation Operating Procedures Manual (GTOP).

Program #1- The Residential Gas Conversion Incentive Program
(1 to 4 Dwelling Units)

Program Description (A&B)

The Residential Gas Conversion Incentive Program was designed to stimulate the conversion by oil heating users in the 1-4 family dwelling market to firm gas heating and align it with the Company's energy efficiency Residential HVAC Gas Program to encourage oil to gas converting customers to install high efficiency equipment. Under this program, Con Edison offered eligible participants a \$2,000 conversion rebate for the installation of a new, natural gas-fired boiler or furnace that meets a minimum efficiency of 82% for gas-fired steam heating equipment, a minimum efficiency of 85% for gas-fired hydronic heating equipment, and a minimum

efficiency of 90% for gas furnaces, and must be installed by a contractor licensed in New York State, among other terms and conditions.

Program #2- The Multi-Dwelling Gas Conversion Incentive Program
(5-75 Dwelling Units)

Program Description (A & B)

The Multi-Dwelling Gas Conversion Incentive Program was designed to stimulate the conversion by oil heating users in the 5–75 family dwelling markets to firm gas heating and align it with the Company’s energy efficiency (EEPS) Multi-Family (5-75) Program to encourage oil to gas converting customers to install high efficiency equipment. Under this program, Con Edison offered eligible participants a conversion rebate of \$500 per dwelling unit (up to a \$37,500 cap) and a high-efficiency equipment rebate of up to \$15,000 for the installation of a new, natural gas-fired boiler that meets a minimum efficiency of 85% for gas-fired hydronic heating equipment and 82% for gas-fired steam heating equipment, and is installed by a contractor licensed in New York State who is participating in Con Edison’s Multi-Family (5-75) Program (a “Participating Contractor”), among other terms and conditions. Customers who install gas-fired steam heating equipment less than 82% efficiency, but meet or exceed the federal minimum standard efficiency, will be eligible for a conversion rebate only.

Program #3- The Customized Gas Incentive Program

Program Description

The Customized Gas Incentive Program was designed to meet larger Applicants’ specific needs associated with the installation of gas-heating equipment that either replaces oil-heating equipment or increases Applicant’s gas heat burning capability. Under this program, Con Edison offered to defray a portion of Applicant’s conversion or installation costs in return for the Applicant’s commitment to use an agreed-upon level of gas for an agreed-upon term. To defray some of the Applicant’s costs, Con Edison offered: (i) a cash rebate; (ii) a reduction of an Applicant’s cost responsibilities associated with required additional facilities (this incentive is available only to interruptible, off-peak firm, and firm dual-fuel Applicants); or (iii) a combination of (i) and (ii).

4. MARKET OVERVIEW

During this past Rate Year period (10/1/2010 – 9/30/2011), the Company saw an increase in oil to gas conversions, most notably in the residential 1-4 family market segment, as compared to last year. All of the conversions in both Program #1 and Program #2 (1-4 and 5-75 markets) required customers to purchase and install high efficiency gas heating equipment in order to be eligible for the conversion rebate. One of the key barriers to customers converting from oil to gas was the upfront costs to convert and the continued impact of the lagging economy. Some of the key drivers this past rate year for customers to convert were the following: the favorable commodity pricing of gas vs. heating oil, the conversion rebates; additional high efficiency

equipment (EEPS) rebates, as well as increased environmental awareness of the benefits of natural gas.

5. INCENTIVE SUMMARY

The tables below provide two different views of the same total program expenditures.

TABLE 1. INCENTIVES BY PROGRAM

PROGRAM	NUMBER OF CONVERSIONS	INCENTIVES (\$) DISBURSED OR COMMITTED	SERVICE CLASSIFICATION
PROGRAM#1: 1-4 UNIT	434	\$868,000	3
PROGRAM #2: 5-75 UNIT	20	\$195,000	3
PROGRAM #3: CUSTOMIZED	37	\$360,800	2,3
TOTAL	491	\$1,423,800	

TABLE 2. INCENTIVES, ESTIMATED THERMS & REVENUE BY SERVICE CLASSIFICATION

SERVICE CLASSIFICATION	NUMBER OF CONVERSIONS	INCENTIVES (\$) DISBURSED OR COMMITTED	ESTIMATED SALES (THERMS)¹	ESTIMATED DELIVERY REVENUE
2	1	\$10,000	82,016	\$30,873
3	490	\$1,413,800	4,614,351	\$2,305,918
Total	491	\$1,423,800	4,696,367	\$2,336,791

¹ Based on estimated annual consumption of 1,100 therms per 1-4 family unit and 700 therms per dwelling unit in the 5-75 multifamily market.