STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

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.

JOINT PROPOSAL

May 18, 2010

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JOINT PROPOSAL

THIS JOINT PROPOSAL ("Proposal") is made as of the 18th day of May 2010, by and among Consolidated Edison Company of New York, Inc. ("Con Edison" or the "Company"), New York State Department of Public Service Staff ("Staff"), the City of New York (the "City" or "NYC"), Consumer Power Advocates ("CPA"), New York Energy Consumers Council, Inc. ("NYECC"), The E-Cubed Company, LLC ("E-Cubed") on behalf of the Joint Supporters, Small Customer Marketer Coalition ("SCMC") and other parties whose signature pages are or will be attached to this Proposal (collectively referred to herein as the "Signatory Parties").

Procedural Setting

Con Edison is operating under a gas rate order that established new gas rates effective October 1, 2007.[1] On November 6, 2009, Con Edison filed tariff leaves and supporting testimony for new rates and charges for gas service effective in October 2010. In that filing, the Company also proposed terms for a three-year rate plan for gas service that would continue through September 30, 2013.[2]

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[1] Case 06-G-1332, Consolidated Edison Company of New York, Inc. – Gas Rates, *Order Adopting in Part the Terms and Conditions of the Parties' Joint Proposal* (issued September 25, 2007) ("2007 Gas Rate Order").

[2] The Company made a concurrent filing respecting rates and charges for steam service. Case 09-S-0794, Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Steam Service. Although the gas and steam proceedings were not

Consistent with established Commission practice, administrative law judges were appointed to conduct the rate proceeding to review the Company's rate filing. Parties to this proceeding engaged in discovery activities, submitting over 650 discovery requests on the Company's gas and steam filings, on issues common to both filings and gas-specific and steam-specific issues. On March 3, 2010, Staff, the City, County of Westchester ("Westchester"), CPA, New York State Consumer Protection Board and NYECC filed testimony in response to the Company's filing in this gas rate proceeding. On March 24, 2010, the Company filed rebuttal and update testimony. Also on March 24, 2010, CPA and Westchester filed rebuttal testimony.

Settlement Negotiations and Hearing – By notice dated March 19, 2010, Con Edison notified all parties of the commencement of settlement negotiations on March 29, 2010.[3] Settlement negotiations were held on March 29 and 31, 2010, and April 1, 5-9, 12-13, 2010, at which point a number of the parties agreed on the principles of a joint proposal. All settlement negotiations were subject to the Commission's Settlement Rules, 16 NYCRR §3.9, and appropriate notices for negotiating sessions were provided. At each session, teleconferencing was made available to all parties.

An evidentiary hearing on the filing and the parties' testimony was scheduled to commence on April 19, 2010. However, because parties had reached an agreement in principle, and after consultation with the presiding Administrative Law Judges, the Secretary issued a notice on April 14, 2010 cancelling the hearing. By *Ruling Adopting Process and Schedule*, issued April 29, 2010, the presiding Administrative Law Judges established May

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consolidated, the parties to the proceedings treated them as consolidated for purposes of discovery and settlement negotiations.

[3] A copy of the notice was filed with the Secretary to the Commission ("Secretary").

14, 2010, as the date by which the settling parties would prepare, execute and file this Proposal.[4]

The parties' negotiations have been successful and have resulted in this Proposal, which is presented to the Commission for its consideration.

Overall Framework

The Signatory Parties have developed a comprehensive set of terms and conditions for a three-year rate plan for Con Edison's gas service. These terms and conditions are set forth below and in the attached Appendices. Specifically, this Proposal addresses the following topics:

- **I. Term**
- **II. Gas Rates and Revenue Levels**
- **III. Computation and Disposition of Earnings**
- **IV. Reconciliations**
- **V. Additional Rate Provisions**
- **VI. Other Programs and Matters**
- **VII. Miscellaneous Provisions**

I. <u>Term</u>

The Signatory Parties recommend that the Commission adopt a three-year gas rate plan for Con Edison as set forth herein, commencing October 1, 2010, and continuing through September 30, 2013 ("Gas Rate Plan"). For the purposes of this Proposal, Rate Year means the 12-month period starting October 1 and ending September 30; Rate Year 1 ("RY1") means the 12-month period starting October 1, 2010 and ending September 30,

[4] The presiding ALJs thereafter provided the parties until May 18, 2010 to file the Joint Proposal.

2011; Rate Year 2 ("RY2") means the 12-month period starting October 1, 2011 and ending September 30, 2012; and Rate Year 3 ("RY3") means the 12-month period starting October 1, 2012 and ending September 30, 2013.

II. Gas Rates and Revenue Levels

A. Rate Levels

This Proposal recommends increases to the Company's retail gas sales and gas transportation service rates and charges designed to produce an additional $47.1 million in revenues on an annual basis starting in RY1, an additional $47.9 million in revenues on an annual basis starting in RY2, and an additional $46.7 million in revenues on an annual basis starting in RY3. The increase to each service class associated with the proposed additional revenues is shown in Appendix C and Appendix H.[5]

The rate increase for RY1 would take effect on October 1, 2010, the rate increase for RY2 would take effect on October 1, 2011, and the rate increase for RY3 would take effect on October 1, 2012.[6]

The major components of the revenue requirements underlying this Proposal are set forth in Appendix A. These revenue requirements are net of the amortizations of various customer credits and debits on the Company's books of account that have previously been deferred by the Company. The list of deferred customer credits and debits to be applied during the term of the Gas Rate Plan is set forth in Appendix B. The revenue requirements also reflect a base rate revenue imputation of $53 million attributable to Non-Firm Revenues,

[5] Unless specifically stated otherwise in this Proposal, the terms "customers" and "base rate" apply to the Company's firm gas customers, excluding interruptible gas customers, CNG, bypass and power generation customers served under Service Classification ("SC") 9 and off-peak firm customers.

[6] Since the revenue requirement increases for RY1, RY2 and RY3 are approximately the same, the Signatory Parties determined that undertaking a "levelization" of rate increases would not provide any measurable benefit to customers and was therefore unnecessary.

as defined and discussed further in Section II.G. Firm revenues will be subject to adjustment pursuant to the Revenue Decoupling Mechanism ("RDM") addressed in Section II.E.

B. Austerity

The gas revenue requirements for RY1, RY2 and RY3 include the following austerity costs reductions, for which associated austerity measures have not been identified as of the date of this Proposal: $6.0 million for RY1, $4.0 million for RY2, and $2.0 million for RY3.

The austerity-related cost reductions may be achieved through a combination of Operations and Maintenance ("O&M") expense reductions, capital cost reductions, and/or via the allocable share for gas of any corporate-wide austerity measures.

If the Company elects to achieve the austerity imputations through capital cost reductions, the reconciliation mechanism related to net plant described in Section IV.K.1 shall be calculated so as to exclude the effects of capital cost reductions that are identified as being undertaken to meet the austerity imputations. In addition, the avoided revenue requirement effect of capital cost reductions undertaken for the purpose of achieving the austerity cost reductions will be recognized as contributing toward achieving the austerity imputation in the Rate Year in which the associated capital project was scheduled to be undertaken and in each subsequent Rate Year(s) that the project remains deferred or delayed.[7]

The Company will file a report with the Secretary on or before November 1, 2010 respecting RY1, November 1, 2011 respecting RY2, and November 1, 2012 respecting RY3,

[7] For example, if the Company reduces spending on a capital project for the specific purpose of achieving an austerity target, as identified in the annual austerity report to be filed with the Secretary (discussed below), and does not increase spending for that project in a subsequent Rate Year to offset the reduction in the prior Rate Year, the revenue requirement impact of that reduction in capital spending will be recognized for austerity purposes in the Rate Year in which such reduction is made and in each subsequent Rate Year that spending is not increased to offset the prior reduction in spending.

indicating the Company's plan to achieve such cost reductions in the applicable Rate Year; provided, however, to the extent the Company elects to achieve austerity imputations in RY1, RY2 and/or RY3 through capital cost reductions, such reductions shall be identified in the report filed on or before November 1, 2010, for the applicable Rate Year(s). The Company's management will be responsible for determining how best to achieve these cost reductions while maintaining reliability, service quality and safety.

C. Productivity

The revenue requirements for RY1, RY2, and RY3 each reflect an annual two (2) percent labor-productivity adjustment. One (1) percent per year of this labor-productivity imputation represents a proxy for efficiency gains that have not been specifically identified or quantified related to the Company's implementation of the Liberty Audit recommendations.

D. Gas Sales Forecast

The firm sales forecasts used to determine the revenue requirement for each of the three Rate Years are set forth in Appendix C and Appendix H.

E. Gas Revenue Decoupling Mechanism

Delivery revenues from service provided to the Company's firm customers will be subject to reconciliation pursuant to the RDM set forth in Appendix I. The RDM will remain in effect after RY3 unless and until changed by Commission order.

F. MRA/GCF

The Company will recover all supply and supply-related costs through the Monthly Rate Adjustment ("MRA")/Gas Cost Factor ("GCF") mechanisms. Load Following costs will be recovered through the MRA.[8]

G. Non-Firm Revenues

As stated in Section I.A, the revenue requirement for each Rate Year reflects a base rate revenue imputation of $53 million attributable to Non-Firm Revenues. For each Rate Year, the following revenues constitute "Non-Firm Revenues:"

a. Net base revenues[9] derived from

  i. Customers receiving interruptible service under SC 12 Rate 1 and SC 9 Rates B and D; and

  ii. Power generation customers[10] receiving interruptible or off-peak firm service, including off-peak firm service under SC 9 Rate D(2) or special negotiated contract; the New York Power Authority (in excess of $3.1 million per Rate Year, which is the level reflected in base rates); interruptible or off-peak firm service to Company-owned power generation, steam, and steam-electric plants; and existing, new, and divested power generation facilities owned by third parties pursuant to, for example, SC 9 Rate D(1); and

b. Net revenues derived from the use of interstate pipeline capacity for

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[8] As noted in Section II.I.2, gas costs associated with oil-to-gas conversions related to a change in law will be reconciled through the GCF and Load Following costs through the MRA.

[9] Net base revenues mean total revenues less the following, as applicable: taxes, actual cost of gas (reflecting, for example, hedging costs and gas supplier take-or-pay charges), cash-out charges and credits, and any revenues included in total revenues related to reimbursements for facility costs associated with providing service, including metering and communication equipment, service pipes and lines, service connections, main extensions, measuring and regulating equipment and system reinforcements and other facilities as necessary to render service.

[10] For the purposes of this Section II.G, power generation customers do not include cogeneration or other customers taking off-peak firm service under SC 12 Rate 2 or SC 9 Rate C.

capacity releases;[11] for or by customers taking service under off-peak firm SC 12 Rate 2; for or by interruptible or off-peak firm customers taking service under negotiated bypass SC 9 Rate D (1); for SC 19 and bundled sales; and other off-system transactions (e.g., gas supplied to the Company's steam and steam/electric plants); and

c Gas balancing revenues derived from gas balancing services provided to SC 9 and 12 interruptible and off-peak firm customers, CNG, bypass and power generation customers and SC 20 marketers serving SC 9 transportation customers.

The Company will retain 100 percent of the first $58 million of Non-Firm Revenues achieved during each Rate Year of the Gas Rate Plan.

If Non-Firm Revenues are less than $58 million in any Rate Year, the Company will (i) defer on its books of account for future recovery from customers, with interest, the amount by which Non-Firm Revenues are less than $33 million and (ii) surcharge firm customers in the subsequent Rate Year for 80 percent of the difference between $58 million and the level of Non-Firm Revenues achieved at or above $33 million.

For Non-Firm Revenues above $58 million in any Rate Year, firm customers will be credited with 75 percent of the amount above $58 million beginning in the subsequent month.

The Company may implement a surcharge or credit to customers at the commencement of any Rate Year for a projected variation in revenues from the target level of revenues (*i.e.*, $58 million), up to $25 million, in order to minimize the annual reconciliation of actual revenues as compared to target revenues in any Rate Year. At least two weeks prior to the Company's implementing such a surcharge or credit, the Company

[11]Net capacity release revenues means the credits afforded the Company from releasing capacity to third parties excluding (i) capacity release revenues applicable to capacity releases to firm customers and/or ESCOs serving firm customers under the Company's capacity release program that became effective November 1, 2001 and any amended, extended, or superseding programs ("Capacity Release Service Program"), and (ii) the demand charges recovered through the Winter Bundled Sales Service ("WBSS").

will provide Staff work papers underlying such surcharge or credit in order to afford Staff an opportunity to raise with the Company any concerns that Staff has with the size of the surcharge or credit.[12] Any such surcharge or credit will be implemented over a 12-month period.

H. Lost and Unaccounted for Gas

The monthly GCF for each of RY1, RY2 and RY3 will reflect a target Factor of Adjustment Ratio for lost and unaccounted for gas equal to 1.0133.[13] The LLF is defined as 1 minus [the Total Customer Meter Volumes (*i.e.*, firm sales and transportation, interruptible and off-peak firm sales and transportation, Company use, netting out gas used for power generation) divided by Total Distribution Sendout (*i.e.*, Marketer, Direct Customer, and Con Edison deliveries, netting out gas for power generation and LNG injections)].

The annual GCF reconciliation will reflect actual gas lost and unaccounted for, calculated as follows:

> a. If the actual LLF is greater than 1.815 percent, the Company will absorb the cost of losses in excess of 1.815 percent of gas sendout; and
>
> b. If the actual LLF is less than 0.815 percent, the Company will retain the benefit of losses less than 0.815 percent of gas sendout.

The target Factor of Adjustment Ratio of 1.0133 will be used to determine the amount of gas to be retained by the Company from SC 9 transportation quantities as an allowance for losses.

Appendix K provides a sample calculation of the determination of the benefit or cost to the Company.

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[12] Consistent with current practice, the Company will provide to interested parties, upon request, a copy of such work papers after the filing is made.

[13] The Factor of Adjustment Ratio is equivalent to a fraction having a numerator of 1 and a denominator of 1 minus the line loss factor ("LLF"). For purposes of the Gas Rate Plan, the target LLF is 1.315 percent; therefore the target Factor of Adjustment Ratio is calculated as 1 / (1-0.01315) = 1.0133.

The Company or any interested party may petition the Commission to modify the GCF reconciliation for any reconciliation period where the Company or such party believes the actual LLF to be anomalous or the result of an error.

I. Oil to Gas Conversions

1. Incentive Program

The Company's program of providing financial incentives to residential and commercial customers to encourage their conversion from oil use to gas use shall continue to be funded through an MRA surcharge up to a maximum of $1.465 million per Rate Year. The gas sales forecast and RDM targets underlying the gas rates reflected in this Proposal reflect sales projected to result from this program.

The Company will submit a report to the Secretary within sixty (60) days of the end of each of RY1, RY2 and RY3, on activities under this program during the prior Rate Year, including program descriptions and the amounts of incentives committed and/or disbursed, and the number of customers and estimated sales in the aggregate by service classification. The Company will maintain a list of recipients of $500 or more for inspection by Staff.

2. Regulations Related to Oil Burning in New York City

The City of New York is considering adopting laws, rules and/or regulations that may, either directly or indirectly, reduce the use of No. 4 and/or No. 6 fuel oil. At this time, there is significant uncertainty regarding the timing and magnitude of the effect of any such laws, rules and/or regulations on the Company's sales of gas and costs of providing service to customers that convert as a result of such change in laws, rules and/or regulations.

To address this uncertain but anticipated event, all firm delivery revenues, O&M expenses and carrying costs (defined below) associated with gas conversions resulting from changes in laws, rules and/or regulations directly or indirectly reducing the use of No. 4

and/or No. 6 fuel oil, whether promulgated by the City of New York or any other governmental entity or entities (hereinafter referred to simply as "change in law"), shall be deferred for subsequent disposition by the Commission. Carrying costs include a full return on the investments plus depreciation. Gas costs associated with revenues from gas conversions resulting from the change in law will be reconciled through the GCF and Load Following costs through the MRA.

For purposes of determining which No. 4 and/or No. 6 customers convert to gas as a result of the change in law, the Company will deem all conversion requests from No. 4 and No. 6 customers received on or after the date on which the new law, rule and/or regulation is passed by the applicable governmental entity to be as a result of this change in law, excluding gas conversion customers that receive an incentive pursuant to the incentive program discussed in Section I.1 above.[14]

III. Computation and Disposition of Earnings

Following each of RY1, RY2 and RY3, Con Edison will compute, separately, the rate of return on common equity for its gas business for the preceding Rate Year. The Company will submit to the Secretary the computation of earnings no later than 60 days after the end of each Rate Year.

As set forth in the following paragraphs, the earnings sharing thresholds and the customers' shares of earnings above the thresholds for all three Rate Years have been established to capture for customers' benefit a greater portion of savings that may be realized as a result of the Company's implementation of recommendations set forth in the Liberty Audit, (see Case 08-M-0152, Comprehensive Management Audit of Consolidated Edison

[14] Conversion requests received before the date on which the law was passed, but which have been deemed "dormant" by the Company by reason of the customers' failure to act on such requests within 18 months, shall not be considered requests received before the law was passed.

Company of New York, Inc., *Order Directing The Submission Of An Implementation Plan*, issued August 21, 2009).[15]

For purposes of determining the amount of shared earnings under this Proposal, the level of earned equity return will be calculated on an annual basis, as set forth below, but measured on a cumulative basis for RY1, RY2 and RY3, in accordance with the methodology set forth in Appendix G.

If the level of earned common equity return for RY1 exceeds 10.35 percent ("RY1 Earnings Sharing Threshold"), as may be adjusted pursuant to Section IV.M, the amount in excess of the RY1 Earnings Sharing Threshold will be deemed "shared earnings" for the purposes of this Proposal, subject to the measurement of shared earnings on a cumulative basis in accordance with Appendix G. For RY1, sixty (60) percent of the revenue requirement equivalent of any shared earnings above 10.35 percent up to and including 11.59 percent will be deferred for the benefit of customers and the remaining forty (40) percent of any such shared earnings will be retained by the Company; seventy-five (75) percent of the revenue requirement equivalent of any shared earnings equal to or in excess of 11.60 percent up to and including 12.59 percent will be deferred for the benefit of customers and the remaining twenty-five (25) percent of any shared earnings will be retained by the Company; and ninety (90) percent of the revenue requirement equivalent of any shared earnings equal to or in excess of 12.60 percent will be deferred for the benefit of customers and the remaining ten (10) percent of any shared earnings will be retained by the Company.

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[15] The Signatory Parties duly considered that implementation of the Liberty Audit may result in more efficient Company operations in any Rate Year and designed the Gas Rate Plan to capture a reasonable share of such potential savings for customers through various provisions, including the earnings sharing provisions for all three Rate Years and a one (1) percent labor productivity imputation in each Rate Year as noted in Section II.C.

If the level of earned common equity return for RY2 and/or RY3 exceeds 10.10 percent ("RY2-3 Earnings Sharing Threshold"),[16] as may be adjusted pursuant to Section IV.M, the amount in excess of the RY2-3 Earnings Sharing Threshold will be deemed "shared earnings" for the purposes of this Proposal, subject to the measurement of shared earnings on a cumulative basis in accordance with Appendix G. For RY2 and RY3, sixty (60) percent of the revenue requirement equivalent of any shared earnings in excess of 10.10 percent up to and including 11.59 percent will be deferred for the benefit of customers and the remaining forty (40) percent of any such shared earnings will be retained by the Company; seventy-five (75) percent of the revenue requirement equivalent of any shared earnings equal to or in excess of 11.60 percent up to and including 12.59 percent will be deferred for the benefit of customers and the remaining twenty-five (25) percent of any shared earnings will be retained by the Company; and ninety (90) percent of the revenue requirement equivalent of any shared earnings equal to or in excess of 12.60 percent will be deferred for the benefit of customers and the remaining ten (10) percent of any shared earnings will be retained by the Company.

For each Rate Year, for purposes of determining whether the Company has earnings above the Earnings Sharing Threshold:

1. The calculation of return on common equity capital will be "per books," that is, computed from the Company's books of account for each Rate Year, excluding the effects of (i) Company incentives and performance-based revenue adjustments; (ii) the Company's share of property tax refunds earned during the applicable Rate Year; and (iii) any other

[16] The RY2-3 Earnings Sharing Threshold is subject to modification pursuant to Section V.A.

Commission-approved ratemaking incentives and revenue adjustments in effect during the applicable Rate Year.

2. Such earnings computations will reflect the lesser of: (i) an equity ratio equal to 50.0 percent, or (ii) Con Edison's actual average common equity ratio. Con Edison's actual common equity ratio will exclude all components related to "other comprehensive income" that may be required by generally accepted accounting principles; such charges are recognized for financial accounting reporting purposes but are not recognized or realized for ratemaking purposes.

If the Company does not file for new base delivery rates to take effect within fifteen (15) days after the expiration of RY3, the earnings sharing thresholds will continue at the RY3 levels until reset by the Commission. Such calculation will be performed on an annual basis in the same manner as set forth above. Revenue targets (*i.e.*, revenue per customer factors) and trued up expenses contained in Appendix D will be based on RY3 levels. To the extent that the stay-out period is less than 12 months, the earnings sharing calculation will be prorated. The calculation will use actual period earnings with rate base and the caps for interference and property taxes to be prorated for the number of months being measured.

IV. <u>Reconciliations</u>

The Company will reconcile the following costs and related items to the levels provided in rates, as set forth in Appendix D. Variations subject to recovery from or to be credited to customers will be deferred on the Company's books of account over the term of the Gas Rate Plan, and the revenue requirement effects of such deferred debits and credits, as the case may be, will be addressed in future rate proceedings, except as addressed in Section IV.M.

A. Property Taxes

The gas revenue requirements for RY1, RY2 and RY3 reflect property tax expense at the levels set forth in Appendix D based on the property tax assessment values and tax rate information available at the time of this Proposal ("property tax rate allowances"). The property tax rate allowances set forth in Appendix D for RY1, RY2 and RY3 will be restated based on the actual property tax rates for the NYC 2010/2011 fiscal year, if available, as of July 15, 2010, solely for purposes of this property tax reconciliation mechanism ("target levels").[17] If the property tax rate allowances are restated, the Company will defer 100 percent of the difference between the property tax rate allowance and the restated property tax rate allowance (*i.e.*, the target level) for each Rate Year.

If the level of actual gas expense for property taxes, excluding the effect of property tax refunds (as defined in paragraph V.D), varies in any Rate Year from the target levels, eighty (80) percent of the variation between the actual expense and the target level will be deferred and either recovered from or credited to customers, subject to the following cap: the Company's twenty (20) percent share of property tax expenses above or below the target levels will be capped at an amount equal to ten (10) basis points on common equity for each Rate Year.[18] The Company will defer on its books of account, for recovery from or credit to customers, one hundred (100) percent of the variation above or below the level at which the cap takes effect.

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[17] The actual tax rates will be used to recalculate the five-year average growth rate used in forecasting each Rate Year's rate allowance solely for purposes of establishing the target levels for purposes of the property tax reconciliation mechanism. The actual rate allowances as reflected in the revenue requirements resulting from this Proposal will not be changed. If actual tax rates are not available as of July 15, 2010, the rate allowances will be the same as the target levels.

[18] Ten (10) basis points is estimated to equate to approximately $2.5 million. The actual value of a basis point will be determined at the end of each Rate Year.

The Company will not be precluded from applying for a greater share of lower than forecasted property tax expenses (including the period beyond RY3) if its extraordinary efforts result in fundamental taxation changes and produce substantial net benefits to customers.

B. Municipal Infrastructure Support Expense (Other Than Company Labor)

If actual gas non-Company labor Municipal Infrastructure Support expenses (*e.g.*, contractors' costs) vary from the level provided in rates for any Rate Year, which levels are set forth in Appendix D, one hundred (100) percent of the variation below the target will be deferred on the Company's books of account and credited to customers and eighty (80) percent of the variation above the target within a band of thirty (30) percent (*e.g.*, a maximum deferral of $4.1 million in RY1)[19] will be deferred on the Company's books of account and recovered from customers. Expenditures above the target plus thirty (30) percent are not recoverable from customers except as follows: if gas or steam actual non-Company labor Municipal Infrastructure Support expenses vary from the level provided in rates above the target plus thirty (30) percent, and such increased expenses are due to (a) City projects that result from the award of federal stimulus funds[20] granted after the date of this Proposal, (b) the City Water Tunnel #3 Project,[21] and/or (c) the construction of major new

[19] RY1 rate allowance for interference of $16.9 million x 30 percent x 80 percent = $4.1 million.

[20] Federal stimulus funds are funds available under the American Recovery and Reinvestment Act of 2009.

[21] The New York City Department of Environmental Protection's ("DEP") City Water Tunnel #3 project consists of eleven different shaft locations and one street inter-tie location in Manhattan. This project includes 48-inch and 36-inch trunk water mains and large regulating valve stations that create a high potential to impact Company infrastructure assets. Some of the locations for the shaft piping and regulating stations may involve relocation of Company oil filled pipe-type high voltage transmission cables and gas transmission mains. In addition most locations will involve major relocation of primary and secondary electric systems, gas systems and steam distribution systems. This project has been underway since the 1970's and the eleven shafts have been installed but not connected to the City's 48" and 36" water main distribution system. The Department of Design and Construction ("DDC")/DEP is in the process of designing and awarding eleven projects to connect

public works or infrastructure projects that are developed and announced after the date of this Proposal ("major" shall be defined as a public works project with a projected total cost in excess of $100 million), eighty (80) percent of the variation above the target plus thirty (30) percent that is attributable to the above-described projects will be deferred on the Company's books of account for future recovery from customers.

In addition, if there is a change in law, rules and/or customary practice relating to interference (*e.g.*, responsibility for costs associated with New York City transit projects), the Company will have the right to defer on its books of account for future recovery from customers such incremental costs pursuant to Section VII.F.

C. <u>Pensions /OPEBs</u>

Pursuant to the Commission's Pension Policy Statement,[22] the Company will reconcile its actual gas pensions/Other Post-Employment Benefits ("OPEBs") expenses and, in addition, tax benefits related to the Medicare subsidies to the level allowed in rates as set forth in Appendix D.

The Pension Policy Statement provides that companies may seek prospective interest accruals or rate base treatment for amounts funded above the cost recoveries included in rates.[23] During the term of the Gas Rate Plan, the Company may be required to fund its pension plan at a level above the rate allowance pursuant to the annual minimum pension

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the shafts to the water distribution system as well as the inter-tie. Of the eleven locations, one (1) has been completed; one (1) has been designed, bid and awarded and is in the initial stages of construction; two (2) have been designed and bid; two (2) are in final design with bid dates projected for Spring 2010; and five (5) are in design with a bid date of October 2010 through March 2011. The DEP has an aggressive target date of the fall of 2013 for completing these projects.

[22] Case 91-M-0890, In the Matter of the Development of a Statement of Policy Concerning the Accounting and Ratemaking Treatment for Pensions and Post-Retirement Benefits Other Than Pensions, *Statement of Policy and Order Concerning the Accounting and Ratemaking Treatment for Pensions and Post-Retirement Benefits Other Than Pensions* (issued September 7, 1993) ("Pension Policy Statement").

[23] See Pension Policy Statement, Appendix A, page 16, footnote 3.

funding requirements contained within the Pension Protection Act of 2006. The Company, its actuary and the parties are unable to predict with certainty if the minimum funding threshold will exceed rate recoveries during the term of the Gas Rate Plan. In lieu of a provision in this Proposal addressing the Company's additional financing requirements should it be required to fund its pension plan above the level provided in rates during the term of the Gas Rate Plan, the Proposal does not preclude the Company from petitioning the Commission to defer on its books of account for future recovery from customers the financing costs associated with funding the pension plan at levels above the current rate allowance should funding above the rate allowance be required; the Company's right to obtain authority to defer such financing costs on its books of account will not be subject to requirements respecting materiality.

D. <u>Environmental Remediation</u>

If the level of actual expenditures for site investigation and remediation allocated to gas,[24] including expenditures associated with former manufactured gas plant sites, Superfund and 1994 DEC Consent Order Appendix B sites, varies in any Rate Year from the level provided in rates, which levels are set forth in Appendix B, such variation will be deferred on the Company's books of account and recovered from or credited to customers. The deferred balances subject to interest will be reduced by accruals, insurance recoveries, associated reserves, deferred taxes and amounts included in rate base (see Appendix B).

[24] These costs are the costs Con Edison incurs to investigate, remediate or pay damages (including natural resource damages) with respect to industrial and hazardous waste or contamination, spills, discharges, and emissions for which Con Edison is deemed responsible. These costs are net of insurance reimbursements (if any); nothing herein will require the Company to initiate or pursue litigation for purposes of obtaining insurance reimbursement, nor preclude or limit the Commission's authority to review the reasonableness of the Company's conduct in such matters.

E. Deferred Income Taxes – 263A

The Company and the Internal Revenue Service have an open audit issue concerning the Section 263A tax deduction claimed by Con Edison beginning with tax returns filed for 2002 and later years. At issue is the appropriate method(s) to be applied to different classes of plant in order to calculate the Section 263A deduction. Resolution of this matter is pending for all those tax years and may result in a disallowance of a portion of the tax deduction claimed by the Company. This Proposal continues the established 263A deferred tax balances for gas that reflect the anticipated outcome of this dispute.

The Company will defer interest at a rate equivalent to the pre-tax rate of return of 10.52 percent on any difference between the actual deferred Section 263A tax benefits that result from the Section 263A deduction and the amount allowed by the Internal Revenue Service. The final Section 263A deduction reflected in rate base will recognize any related partial offset (*i.e.*, higher/lower tax deduction) impacting the Modified Accelerated Cost Recovery System ("MACRS") rate base balances.

F. Long Term Debt Cost Rate

As set forth in Appendix A, the weighted average cost of long term debt during the term of the Gas Rate Plan is 5.57 percent. The Company will be allowed to true-up its actual weighted average cost of long term debt during each Rate Year to the 5.57 percent cost rate reflected in Appendix D. In the event variable rate or auction rate debt is refinanced prior to October 1, 2013 (including under circumstances not contemplated by the Commission's Order, issued March 12, 2009, in Case 08-M-1244, and therefore requiring Commission authorization), the Company will include its costs associated with the retirement and refinancing of the variable rate and auction rate debt in the amounts to be reconciled.[25]

G. Research and Development Expense

Research and Development ("R&D") expenses reflected in the revenue requirements for each of RY1, RY2 and RY3 are set forth in Appendix D ("target levels"). In the event the Company's actual R&D expenses are less than the target level for a particular Rate Year, the Company will defer on its books of account the amount of such under spending for future credit to customers, subject to any such deferred amount being reduced by up to the amount of actual expenditures in any and all subsequent Rate Years that exceeds the target level for that Rate Year(s) by not more than 20 percent.[26]

The Company has the flexibility over the term of the Gas Rate Plan to modify the list, priority, nature and scope of the R&D projects to be undertaken.

H. Pipeline Integrity Costs – New York Facilities Charges

The New York Facilities Agreement is a joint operating agreement between Con Edison and National Grid, which provides for the sharing of certain costs. Among the costs to be shared are the costs that Con Edison and National Grid incur to comply with federal requirements that require gas companies, like Con Edison and National Grid, to develop and implement an integrity management program for their affected gas facilities using in-line inspection, hydro or pressure testing, or direct assessment.

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[25] If the Company refinances any variable rate or auction rate debt, or issues new tax-exempt debt, it may require the use of one or more credit support measures, such as letters of credit or bond insurance.

[26] For example, if actual spending in RY1 is $300,000 below the target level, the Company will defer that amount for future credit to customers. If the target level for RY2 is $1 million, and actual spending in RY2 is $1,150,000, the deferred credit will be reduced by the extra $150,000 spent. However, if the actual spending in RY2 is $1,300,000, the deferred credit will be reduced only by $200,000. A separate, but similar, reconciliation will be performed for RY3, up to the amount of any remaining deferred credit.

The Company's projected share of National Grid's pipeline integrity costs are reflected in the gas rates for RY1, RY2 and RY3, at an estimated annual amount of $1.845 million, as shown on Appendix D. The Company will defer on its books of account, for recovery from or credit to customers, the difference between payments made to National Grid for pipeline integrity programs and the $1.845 million included in gas rates.

I. Adjustments for Competitive Services

As described in Appendix H, for each Rate Year, the Company will reconcile through the Transition Adjustment for Competitive Services the credit and collections component of the POR discount rate and any lost revenue associated with the Billing and Payment Processing Charge.

As also described in Appendix H, for each Rate Year, the Company will reconcile the supply-related and credit and collections/theft components of the MFC by collecting or crediting any deficiency or excess, respectively, in the next Rate Year's MFC.

J. Metropolitan Commuter Transportation Mobility Tax

In the event a tax rate and/or tax structure change is enacted into law affecting the Company's costs associated with the Metropolitan Commuter Transportation Mobility Tax ("MTA Mobility Tax") prior to the commencement of RY1, the Company will defer the full effects of any such tax rate or tax structure change during the term of the Gas Rate Plan.

In the event a tax rate and/or tax structure change related to the MTA Mobility Tax is enacted during the term of the Gas Rate Plan, such event shall be treated in accordance with Section VII.F of this Proposal.

K. Gas Capital Expenditures

1. Net Plant Reconciliations

The gas revenue requirements for RY1, RY2 and RY3 are based on the net plant projections for gas capital distribution programs (which includes Municipal Infrastructure Support (interference) capital costs) set forth in Appendix D ("Average Plant In Service Balances").

The Company will defer the revenue requirement impact (defined below) of the amount by which the Company's actual expenditures for gas capital distribution programs result in average net plant (excluding removal costs) that is less than the Gas Distribution Plant Target , as set forth in Appendix D, for RY1, RY2 and RY3. The revenue requirement impact will be calculated by applying an annual carrying charge factor for the applicable average net plant in service category (see Appendix D) to the amount by which actual net plant was below the target. As noted in Section II.B, if any of the austerity targets are met through capital reductions, then the Gas Distribution Plant Target will be reduced by the net plant amount of the capital reduction.

The Signatory Parties acknowledge that the Company has the flexibility over the term of the Gas Rate Plan to modify the list, priority, nature and scope of its gas capital projects.

For purposes of this Gas Rate Plan, only gas distribution capital (including interference) is subject to the downward reconciliation mechanism.

2. Projects Outside Net Plant Targets

The Company may defer on its books of account for future recovery from customers the carrying charges (including depreciation) on average net plant in service (excluding removal costs) resulting from capital costs incurred due to New York City infrastructure projects supported by federal stimulus funds and New York City's Water Tunnel # 3 project[27] to the extent the Company's capital expenditures related to those activities result in total average net plant in service (excluding removal costs) exceeding the Gas Distribution Plant Target in any or all Rate Years.[28]

3. Capital Expenditure Projections

Appendix D also sets forth capital expenditure projections for gas distribution capital, as set forth in GOP-1, [29] which include capitalized pensions and other capitalized overheads.

For each of RY1, RY2, and RY3, if the Company makes capital expenditures for gas distribution above the total of the capital expenditure projections shown in Appendix D, the Company will not accrue carrying charges on such amounts during the term of this Gas Rate Plan. If aggregate expenditures during RY1, RY2 and RY3 exceed the sum of the capital expenditure projections by more than 10 percent, in the Company's next base rate case filing, the Company shall specifically address these additional capital expenditures, including providing justification for the need for and reasonableness of such expenditures.

The capital spending projections are exclusive of capital expenditures made by the Company associated with projects for which the Company receives grants from the Department of Energy pursuant to the federal stimulus program. The capital spending projections are also exclusive of (1) expenditures that are recovered outside of base rates (*e.g.*, customer-funded capital for expenditures on facilities); (2) Company expenditures on public policy projects that the Company is specifically authorized or directed to undertake by

[27] The federal stimulus funds and Water Tunnel # 3 expenditures are previously described in Section IV.B.

[28] The Company will present testimony in its next gas rate case demonstrating that any deferred carrying charges were for capital expenditures resulting from New York City infrastructure projects supported by federal stimulus funds and/or New York City's Water Tunnel # 3 project, which projects were not considered in the capital expenditure forecasts used in the development of the gas revenue requirements in this proceeding.

[29] The references to GOP-1 in this section are to Exhibit GOP-1 (Revised) contained in the Company's March 24, 2010 update and rebuttal filing in this proceeding.

the Commission; (3) Company expenditures on Municipal Infrastructure Support projects related to federal stimulus projects conducted by the New York City, the City Water Tunnel #3 project and new major projects (as defined Section IV.B.); (4) Company capital expenditures recovered through alternative rate mechanisms (*e.g.*, capital expenditures associated with Energy Efficiency Portfolio Standard ("EEPS") programs funded through the System Benefits Charge); and (5) expenditures to comply with DEC consent orders that are not in the capital projections

The revenue requirements reflect gas's share of expenditures on the Enterprise Resource Project. Under the Electric Rate Plan[30], the capital spending target for the Enterprise Resource Project is capped at $160 million on a Company-wide basis, and expenditures in excess of this amount related to the implementation of the Enterprise Resource Project will not be recoverable from customers, including from gas customers.

The Company's reporting on expenditures above projections for shared services is covered by the Electric Rate Plan.

4. Astoria Consent Order

On April 22, 2010, the Department of Environmental Conservation ("DEC") and the Company entered into a Consent Order relating to the Company's Astoria site. The Astoria site is considered a common Company facility. At the time of the execution of this Proposal, a reasonable estimate of the costs to comply with the Astoria Consent Order is not available. Accordingly, when a reasonable estimate of such costs is available, the Company will file a report with the Commission, and provide a copy to Staff and all Active Parties to Case 09-G-0795, setting forth the amount and nature of the costs needed to comply with the Order. To

[30] Case 09-E-0428, Con Edison – Electric Rates, *Order Establishing Three Year Electric Rate Plan*, (issued and effective on March 26, 2010) ("Electric Rate Plan").

the extent such facilities are placed in service during RY1, RY2 or RY3, the Company will defer on its books of account for recovery from customers gas's share of such costs (*i.e.*, a carrying charge that includes a return on investment plus depreciation), provided that the Company's capital expenditures related to any such common plant investment(s) result in gas' share of common average net plant in service (excluding removal costs) exceeding the amount reflected in rates.

5. Capital Reporting

The Company will file a report every six (6) months, within 60 days after the end of (i) the second quarter in each calendar year (with respect to the first six (6) months of the current calendar year) and (ii) the fourth quarter in each calendar year (with respect to the previous calendar year). As noted in Appendix J, the reports will include:

- Summary of Capital Expenditures – broken down by programs and projects.
- Summary of Capital Additions – broken down by programs and projects.
- For all programs and projects, a comparison of calendar year forecast of expenditures set forth in GOP-1 vs. calendar year actual expenditures.
- For multi-year programs and projects, a comparison of total expenditures set forth in GOP-1 vs. actual expenditures, broken down by calendar year (as part of the fourth quarter report).
- Narrative explanation of the reason(s) for any variance in excess of ten (10) percent between the expenditures set forth in GOP-1 and actual expenditures for any program or project.
- Narrative explanation of the reason and purpose for any new projects or programs exceeding $0.5 million that were or are going to be undertaken during the current calendar year that were not included in the expenditures set forth in GOP-1 for that calendar year.
- Summary of expenditures set forth in GOP-1 and actual capital expenditures for Interference related to:
    - Stimulus Funds.

- Water Tunnel #3.

- Summary of capital expenditures and additions related to No. 4/No. 6 oil-to-gas conversions.

L. Additional Reconciliation / Deferral Provisions

In addition to the foregoing reconciliation provisions (*i.e.*, paragraphs IV.A through IV.K) along with all other provisions of this Proposal embodying the use of a reconciliation and/or deferral accounting mechanism, all other applicable existing reconciliations and/or deferral accounting will continue in effect through the term of the Gas Rate Plan and thereafter until modified or discontinued by the Commission, including, but not limited to, Financial Accounting Standards ("FAS") 109 taxes, System Benefits Charges, Energy Efficiency Portfolio Standard charges, MTA taxes, and the New York Public Service Law §18-a regulatory assessment.

The gas revenue requirements reflect the amortization of $1.956 million per Rate Year of World Trade Center ("WTC")-related capital costs that the Company has deferred, as set forth in Appendix B. The balance of the Company's WTC-related capital costs allocated to gas will continue to be deferred in accordance with the 2007 Gas Rate Order. Any variance between actual deferred balances and the deferred WTC balances included in rate base will be subject to interest at the Company's pre-tax rate of return. The Company will continue to seek recovery for all WTC costs from governmental agencies and insurance carriers. All recoveries will be applied to reduce the deferred balance, except to the extent that the Company is required to use insurance proceeds to reimburse government entities.

M. Limitations on Deferrals

For gas earnings above the RY1 Earnings Sharing Threshold or the RY2-3 Earnings Sharing Threshold, as calculated on a cumulative basis for RY1, RY2 and RY3 as discussed in Section III and in Appendix G, the Company will apply fifty (50) percent of its share of any such earnings to reduce deferred undercollections of pension and OPEBs, Municipal Infrastructure Support costs and property taxes, if any. The Company will apply the customers' share of earnings above the sharing threshold that would otherwise be deferred for the benefit of customers to first offset deferred debits. The customers' allocated share of shared earnings will be applied against deferred pension and OPEB costs, property taxes, WTC O&M costs, Municipal Infrastructure Support costs and environmental remediation costs.

The Company's annual earnings report (see Section III) will include a schedule showing deferrals that may be written down at the end of the Gas Rate Plan with the Company's and the customers' respective shares of earnings above the earnings sharing thresholds.

V. Additional Rate Provisions

A. Recovery of Variable Pay Program Costs

The revenue requirements for RY1, RY2 and RY3 do not reflect any costs of the Company's Variable Pay Plan for management employees. The non-Company parties assert that the Commission's prior directives to the Company on a Variable Pay Plan and recommendations in the Liberty Audit on such a Plan afford the appropriate guidance to the Company for changes to its Variable Pay Plan that could potentially justify the transfer of such costs to ratepayers.

If the Company modifies its existing Variable Pay Plan, effective on or after January 1, 2011, the Company shall have the opportunity to demonstrate to the Commission that the Company should receive rate recovery for its modified program and the non-Company parties shall have the right to oppose the Company's petition.

If the Commission grants the Company's petition, in whole or in part, the Company will be permitted to recover the costs of the Variable Pay Plan for RY2 and RY3 in the manner and to the extent determined by the Commission. Since rates have been set for the period of this Gas Rate Plan, the Signatory Parties' consensus recommendation is, that if there is any Commission authorized recovery mechanism for purposes of this rate plan, that there be an adjustment to the earnings sharing mechanism (*i.e.*, by increasing the level at which customers begin to share in any earnings above a threshold).

B. <u>Depreciation Rates and Reserves</u>

The average services lives, net salvage factors and life tables used in calculating the depreciation reserve and establishing the revenue requirements for gas service are set forth in Appendix E.

C. <u>Interest on Deferred Costs</u>

The Company is required to record on its books of account various credits and debits that are to be charged or refunded to customers. Unless otherwise specified in this Proposal or by Commission Order, the Company will accrue interest on these book amounts, net of federal and state income taxes, at the Other Customer-Provided Capital Rate published by the Commission annually. FAS 109 and MTA tax deferrals are either offset by other balance sheet items or reflected in the Company's rate base and will not be subject to interest.

D. <u>Property Tax Refunds and Credits</u>

Property tax refunds allocated to gas that are not reflected in the Gas Rate Plan and that result from the Company's efforts, including credits against tax payments or similar forms of tax reductions (intended to return or offset past overcharges or payments determined to have been in excess of the property tax liability appropriate for Con Edison), will be deferred for future disposition, except for an amount equal to fourteen (14) percent of the net refund or credit which will be retained by the Company. Incremental expenses incurred by the Company to achieve the property tax refunds or credits will be offset against the refund or credit before any allocation of the proceeds is calculated. The deferral and retention of property tax refunds and incentives will be subject to an annual showing in a report to the Secretary by the Company of its ongoing efforts to reduce its property tax burden, in March of each Rate Year. Additionally, the Company is not relieved of the requirements of 16 NYCRR Part 89 with respect to any refunds it receives.

E. Allocation of Common Expenses/Plant

During the term of the Gas Rate Plan, common expenses and common plant will be allocated according to the percentages shown in Appendix F. Should the Commission approve different common allocation percentages for electric prior to the next base rate case for the gas business, the resulting annual revenue requirement impact to gas will be deferred for future recovery from or credit to customers.

F. GRT Refund

On January 22, 2010, the Company notified the Commission that it had received a refund, totaling $5.6 million of previously paid GRT taxes from New York City. On February 11, 2010, the Company amended its filing to update the allocation of this refund among electric, gas and steam to 54.3 percent, 9.4 percent and 36.3 percent, respectively. These percentages are based on the Commission's allocation of the gain from the sale of the First Avenue Properties (Case 01-E-0377). The resulting refund applicable to electric, gas and steam would be approximately $3,050,000, $530,000 and $2,040,000, respectively.

The revenue requirements for gas include a credit to customers for a portion of the refund allocable to gas over the three Rate Years. Thus, gas rates are lower by $453,000 at $151,000 per Rate Year as shown in Appendix B.

The final amounts allocable to gas customers will be determined by the Commission as part of Case 10-M-0039. After the Commission decision in that proceeding, the Company will defer on its books of account for the benefit of customers or the Company, as applicable, any difference between the placeholder amounts reflected in rates and the amount the Commission determines is allocable to customers.

G. Rate Adjustment Clause ("RAC")

Pursuant to the Commission's June 25, 2009 *Order Establishing Adjustment Clause Mechanisms to Recover Gas and Steam Rates*, issued in Case 09-M-0114, the gas tariff shall continue to include a RAC, pursuant to which recovery of $32 million per year is subject to refund until otherwise determined by the Commission.

VI. Other Programs and Matters

A. Gas Safety Performance Measures

The gas safety performance measures described herein will be in effect for the term of the Gas Rate Plan. All gas safety measures and targets for calendar year 2013 remain in effect thereafter unless and until changed by the Commission.[31]

1. Leak Management – Year-End Total Backlog

If the year end total leak backlog (types 1, 2, 2A, 2M and 3)[32] exceeds the targets set forth below in calendar year 2011, 2012 and 2013, the following negative rate adjustment will be accrued on the Company's books for the benefit of firm customers for each calendar year that the performance measures noted below are not attained, as directed by the Commission.

[31] The 150 mile replacement target established in paragraph 6 below, for the three-year period 2011 to 2013, does not remain in effect beyond 2013. However, the forty (40) miles of main removal per year target will remain in effect beyond 2013, unless and until changed by the Commission.

[32] These are defined in Company specification G-11809.

2011	
1,400 or less	No adjustment
1,401 to 1,500	1 basis point[33]
1,501 to 1,600	3 basis points
1,601 or more	5 basis points
2012	
1,375 or less	No adjustment
1,376 to 1,475	1 basis point
1,476 to 1,575	3 basis points
1,576 or more	5 basis points
2013	
1,350 or less	No adjustment
1,351 to 1,450	1 basis point
1,451 to 1,550	3 basis points
1,551 or more	5 basis points

2. Leak Management - Year-End Workable Backlog

If the year-end workable leak backlog (types 1, 2, 2A and 2M) exceeds the targets set forth below in calendar year 2011, 2012 and 2013, the following negative rate adjustment will be accrued on the Company's books for the benefit of firm customers for each calendar year that the performance measures noted below are not attained, as directed by the Commission.

2011	
55 or less	No adjustment
56-65	1 basis point
66-75	3 basis points
76 or more	5 basis points
2012	
45 or less	No adjustment
46-55	1 basis point
56-65	3 basis points
66 or more	5 basis points
2013	

[33] The basis point negative rate adjustment associated with each measure is stated on a pre-tax basis. As indicated in footnote 18, the revenue requirement equivalents of a basis point on common equity capital per the gas revenue requirements under this Proposal are estimated to be $250,000.

40 or less	No adjustment
41-50	1 basis point
51-60	3 basis points
61 or more	5 basis points

3. Emergency Response – 30 Minute Response Time

If Con Edison does not respond to gas leak or odor calls within 30 minutes for at least 75 percent of the calls for calendar years 2011, 2012 and 2013, a negative rate adjustment of five (5) basis points will be accrued on the Company's books for the benefit of firm customers for each calendar year that the performance measures are not attained, as directed by the Commission.

Gas leak and odor calls resulting from mass area odor complaints, major weather related occurrences, and major equipment failure are excluded from the calculations for the 30-minute response time.

4. Emergency Response – 45 Minute Response Time

If Con Edison does not respond to gas leak or odor calls within 45 minutes for at least 90 percent of the calls for calendar years 2011, 2012 and 2013, a negative rate adjustment of four (4) basis points will be accrued on the Company's books for the benefit of firm customers for each calendar year that the performance measures are not attained, as directed by the Commission.

Gas leak and odor calls resulting from mass area odor complaints, major weather related occurrences, and major equipment failure are excluded from the calculations for the 45-minute response time.

5. Damage Prevention

All damages will be tracked, measured and counted following the guidelines for the data reported for the Annual Gas Safety Performance Measures report.

a) Damages to Gas Facilities Resulting from Mismarks

If the total number of damages to Company gas facilities resulting from mismarks made by the Company and its contractors with respect to the location of Company gas facilities exceeds the targets set forth below per 1,000 one-call tickets[34] in calendar year 2011, 2012 and 2013, the negative rate adjustment associated with such target will be accrued on the Company's books for the benefit of firm customers for each calendar year that the performance measure noted below is not attained, as directed by the Commission.

0.50 or less	No adjustment
0.51 to 0.60	2 basis points
greater than 0.60	4 basis points

b) Damages by Company Employees and Company Contractors

If the total number of damages to Company gas facilities made by Company Employees and Company contractors exceeds the targets set forth below per 1,000 one-call tickets in calendar year 2011, 2012 and 2013, the negative rate adjustment associated with such target will be accrued on the Company's books for the benefit of firm customers for each calendar year that the performance measure noted below is not attained, as directed by the Commission.

2011	
0.33 or less	No adjustment
0.34 - 0.37	2 basis points
0.38 or more	4 basis points
2012	
0.30 or less	No adjustment
0.31 - 0.34	2 basis points
0.35 or more	4 basis points

[34] For the purposes of this section, one-call tickets are defined as locate requests involving a work area in the Company's Bronx, Queens, Manhattan and Westchester service territory only.

2013	
0.25 or less	No adjustment
0.26 - 0.29	2 basis points
0.30 or more	4 basis points

c) Total Damages

If the number of total damages to Company gas facilities made by any party exceeds the targets set forth below per 1,000 one-call tickets in calendar year 2011, 2012 and 2013, the negative rate adjustment associated with such target will be accrued on the Company's books for the benefit of firm customers for each calendar year that the performance measure noted below is not attained, as directed by the Commission.

2011	
2.20 or less	No adjustment
2.21 to 2.50	1 basis point
greater than 2.50	2 basis points
2012	
2.10 or less	No adjustment
2.11 to 2.40	1 basis point
greater than 2.40	2 basis points
2013	
2.00 or less	No adjustment
2.01 to 2.30	1 basis point
greater than 2.30	2 basis points

6. Gas Main Replacement

The Company will remove from service 150 miles of leak-prone gas main during the three calendar year period, 2011 to 2013. In each of the calendar years 2011, 2012 and 2013, the Company will remove a minimum of 40 miles each year.

For each calendar year,

- a minimum of twenty (20) miles of main removed from service will be cast iron/wrought iron main;

- not more than five (5) miles of abandoned/retired gas main removed from service will be counted towards the 150-mile performance target; and
- not more than 20 miles of gas main removed from service resulting from public improvement/interference replacement projects will be counted towards the 150-mile performance target.

If the Company does not replace 40 miles of mains, including a minimum of 20 miles of cast iron main replacement, in 2011, 2012 or 2013, the Company will accrue on the Company's books of account a negative revenue adjustment equivalent to eight (8) basis points for such calendar year(s), which will be applied to the benefit of firm customers, as directed by the Commission.

If the Company does not remove from service a total of 150 miles of leak prone pipe over the three-year period, including replacing 75 miles of cast iron main, a negative rate adjustment equivalent to 24 basis points will be accrued on the Company's books for the benefit of firm service customers; provided, however, if the Company incurs a negative revenue adjustment in any calendar year, the 24 basis point negative rate adjustment will be reduced by the negative revenue adjustment already incurred.

7. General Provisions

The Company will report its annual performance in each of the areas set forth in this section to the Secretary no later than 60 days following the end of each calendar year. If a performance metric is not met, the associated negative revenue adjustment will be excused when the Company can demonstrate to the Commission extenuating circumstances that prevented the Company from meeting such performance metric. The determination of whether such circumstances exist will be made on a case-by-case basis by the Commission.

B. Low Income Program

The Company will continue to administer a Low Income Program, the terms of which will consist of three components as described herein. First, during the term of the Gas Rate Plan, and continuing thereafter unless and until changed by the Commission, the Company will provide eligible enrolled low income residential gas customers a discount on the minimum charge if they take service under SC 1 and a volumetric discount if they take service under SC 3. Second, for the term of this Gas Rate Plan, the Company will institute a program for waiver of reconnection fees. Third, an arrears forgiveness program for arrears associated with gas service will be discussed as part of the arrears forgiveness collaborative under the Electric Rate Plan.

1. Customer Enrollment

To qualify for the Low Income Program ("Qualifying Customers"), an SC 1 or SC 3 customer must (a) be enrolled in the Direct Vendor ("DV") or Utility Guarantee ("UG") Program; or (b) be receiving benefits under any of the following governmental assistance programs: Supplemental Security Income, Temporary Assistance to Needy Persons/Families, Safety Net Assistance, Medicaid, or Food Stamps; or (c) have received a Home Energy Assistance Program ("HEAP") grant in the preceding twelve (12) months (collectively, "Qualifying Programs"). Customers participating in the Company's low income program at the time this Gas Rate Plan becomes effective will not be required to re-enroll in the Low Income Program established herein.

Qualifying Customers may enroll or be enrolled in the Low Income Program as follows:

First, the Company will continue its existing enrollment procedure for UG and DV customers by the New York City Human Resources Administration ("HRA") or the

Westchester County Department of Social Services ("DSS") (the "Agencies"). Upon receipt of the electronic or paper application, the Company will update its customer records to indicate that the customer is enrolled in the Low Income Program.

Second, the Company will continue its existing enrollment procedure for HEAP recipients whereby the Company enrolls a customer when it receives payment associated with a HEAP grant.

Third, the Company will continue its existing procedure to enroll individual customers upon (a) individual customer application with appropriate documentation and/or (b) receipt of notification from the Agencies of eligibility through any Qualifying Program. In these cases, the Company will manually update its customer records to indicate that the customer is enrolled in the Low Income Program.

Finally, the Company will use the enhanced procedures under the Electric Rate Plan to enroll gas low-income customers through a reconciliation of Company and Agency records. That is, as part of the annual reconciliation of Company and Agency records performed pursuant to section K.1 of the Electric Rate Plan, the customers eligible for the gas Low Income Program will be updated at the same time the electric records are updated.

2. Low Income Discounts

SC 1 customers participating in the Low Income Program on and after October 1, 2010 will receive a $1.50 discount on their monthly minimum charge. SC 1 low income customers will pay the same volumetric charges as non-low income SC 1 customers. The rates established by this Gas Rate Plan assume that 145,000 SC 1 customers will participate in the program annually. Accordingly, the rates reflect approximately $2.6 million as the annual cost for this aspect of the Low Income Program.

SC 3 customers participating in the Low Income Program on and after October 1, 2010 will receive a discount of $0.3833 per therm for usage in the 4-90 therm block. SC 3 low income customers will pay the same minimum charge as non-low income SC 3 customers. The rates established by this Gas Rate Plan assume that 20,000 SC 3 customers will participate in the program annually. Accordingly, the rates reflect approximately $3.8 million as the annual cost for this aspect of the Low Income Program.

At any time during the term of the Gas Rate Plan, the actual number of customers participating in the Low Income Program may be more or less than the estimated numbers set forth above. All Qualifying Customers, without limit, will be accepted into the program.

3. Reconnection Fee Waiver

Effective October 1, 2010, the Company will waive its service reconnection fee no more than one time per customer during the term of the Gas Rate Plan for customers participating in the Low Income Program. The target cost of the reconnection fee waiver component is $75,000 in each Rate Year over the term of the Gas Rate Plan for a total program cost of $225,000 over the three Rate Years. The Company may grant waivers to individual customers more than once, on a case-by-case basis and for good cause shown, provided that the Company does not forecast that it will exceed the $225,000 program target.

If the Company forecasts, based on the quarterly reported data from at least the first six (6) months of RY1, that the $225,000 program target will be exceeded over the term of the Gas Rate Plan, the Company will be permitted to make a compliance filing of tariff amendments, on not less than 30 days' notice, which, over the course of the term of the Gas Rate Plan, limit the waiver to no less than fifty (50) percent of the total reconnection fee, so that the estimated three-year cost of waived reconnection fees does not exceed $225,000. If the fee waiver is not reduced by the maximum amount by any single filing, the Company may make compliance filings for additional reductions. The Company's initial tariff leaves will state that the fee waiver program will end once the cost of the program equals $225,000. The Company will notify the Secretary if it projects that the $225,000 program limit will be reached during the term of the Gas Rate Plan.

4. Cost Recovery

The rates for all customer classes have been designed to recover the costs of providing low income minimum charge and volumetric discounts. The Company will recover from or credit to all firm customers, through the MRA, any difference between the actual amount of discounts provided to customers during any Rate Year and the approximately $6.4 million of discounts assumed for purposes of designing gas rates under this Gas Rate Plan. Any reconnection fees waived as well as amounts forgiven under the arrears forgiveness program, if implemented, will be recovered through the MRA at the end of each Rate Year. Appendix H provides a detailed explanation of the low income reconciliation through the MRA.

5. Reporting Requirements

The Company will file a report on the Low Income Program for each calendar quarter (the "Reporting Period"). The first Reporting Period will be the quarter ending December 31, 2010. Each report will be filed with the Secretary, with copies by email to parties to Case 09-G-0795, within thirty (30) days after the end of each Reporting Period. The following data will be reported as a snapshot of the program as of the last day of each quarterly Reporting Period, broken down by Westchester County and New York City participants, and by SC 1 and SC 3 participants: (a) the number of customers enrolled, segregated, by (i) Qualifying Customers for whom the Company has received payment in the form of HEAP grants and (ii) all other Qualifying Customers; (b) the number of low-income customers in arrears; (c) the total amount in arrears; and (d) the average amount in arrears. In addition, the Company will report (i) the aggregate amounts of low-income discounts to date for the Rate Year, (ii) the number of reconnections of low-income customers for which fees were waived to date for the Rate Year and since the inception of the program, (iii) the aggregate amount of reconnection fees waived to date for the Rate Year and since the inception of the program, and, if applicable, (iv) the aggregate amount of arrears forgiven to date for the Rate Year. Each quarterly report issued during the term of the Gas Rate Plan will also include a summary of these data from all previous quarterly reports.

6. Arrears Forgiveness Collaborative

As part of the Electric Rate Plan, the Company, Staff and interested parties will convene a collaborative to consider the establishment of an arrears forgiveness program. The collaborative under the Electric Rate Plan is scheduled to start in May 2010 and issues relating to a gas arrears forgiveness program will also be discussed in the electric arrears forgiveness collaborative. As part of the collaborative, the participants will review then-effective arrears forgiveness programs conducted by other New York utilities. The collaborative will conclude within four (4) months of its commencement. Following the collaborative, either the Company or any other interested party may propose that the Company implement an arrears forgiveness program through a filing with the Commission.

C. Customer Satisfaction

The levels of the Company's customers' satisfaction will be determined by surveys performed semi-annually by an outside vendor selected by the Company. The surveys, which will be the same surveys used in the current gas rate plan, will measure customers' satisfaction with the handling of calls to the Gas Emergency Response Center relating to gas service. Should the average of the two system-wide satisfaction survey indices for any Rate

Year fall below 88.1 percent, Con Edison will provide a credit to customers, as directed by the Commission. The gross amount of the credit will be calculated proportionately from zero at a satisfaction level of 88.1 percent or above, up to a maximum of $3.3 million at a satisfaction level of 87.5 percent or below. System-wide emergencies will not be included in the surveys conducted under this provision.

Con Edison will submit reports on its performance of the customer satisfaction surveys twice a year following performance of each survey. The second report will also provide information for the annual period and, if applicable, any credit due customers.

D. <u>Rider H</u>

At least semi-annually, the Company will monitor the use of new gas facilities being funded by a customer served under Rider H of the Company's Gas Tariff ("Rider H customer") through a surcharge (or an upfront payment) to determine if a new customer(s) is using the gas facilities; and, if so, how much the new customer(s) should contribute to the cost of those facilities and how much the obligations of the Rider H customer (and, if applicable, other customers) funding these facilities should be reduced. If the new customer(s) is required to contribute to the cost of those facilities, the Company will, as applicable, (i) reduce, prospectively, the surcharge to the Rider H customer and any other customer(s) who are paying a surcharge for those facilities, on or about the date on which a new customer(s) commences taking service, and/or (ii) refund a portion of the upfront payment of the Rider H customer and any other customer(s) that made an upfront payment towards the cost of those facilities. The Company will notify any affected Rider H customer (and such customer's designated representative, if applicable) when the Company determines that a new customer is required to contribute to the cost of facilities funded by a Rider H customer.

E. **Load Profile Data**

The Company will provide to a customer or a customer's representative (upon presentation of the customer's account number) load profile data that is currently available to an energy service company ("ESCO") with respect to its customers. Gas load profile data are 12 months of projected weather normalized delivery quantities derived from the customer's actual or estimated historical gas consumption.

The Company is working to develop an automated access facility to these data by the end of RY1. Prior to the Company's implementing the automated access facility, the Company will provide interested parties with a demonstration of this facility.

For the period before the automated access facility is available, the Company will provide a point of contact for customers (and/or such customers' representatives) requesting load profile data for customers taking service from an ESCO. The Company will provide these data for up to 50 accounts (either 50 separate accounts or 50 accounts in aggregate for one or more customers) within five (5) business days after the receipt of a request(s) for these data. For any request(s) for data for more than 50 accounts in the any five-day period, the Company will provide the requested information for 50 accounts within five (5) business days and within an additional five (5) business days thereafter for each additional 50 accounts. If provided by the requestor, the Company will process a request for multiple accounts in the priority order provided.

F. Collaborative Regarding Cooking Customers

There will be a collaborative to discuss the current SC 1 rate structure as it relates to cooking-only customers; whether such rates should be adjusted and, if so, how; as well as meter reading, billing and ESCOs marketing to these customers.

The collaborative will commence within 60 days after Commission adoption of the Proposal and conclude within eight (8) months of its commencement.

If the Company and one or more parties reach agreement on any change(s) arising from this collaborative, the parties to that agreement may submit to the Commission for its adoption a joint proposal that describes the proposed changes and all actions necessary to implement such changes. The Signatory Parties contemplate that procedures would be established to provide all interested parties the opportunity to submit comments on the joint proposal.

If at the conclusion of the collaborative, the participants are unable to reach agreement, any party will have the right to file a proposal with the Commission regarding SC 1 rates to cooking-only customers and/or reading meters and/or billing such customers.

The Signatory Parties acknowledge that the cost for undertaking any modifications required as a result of this collaborative were not considered in developing this Proposal; that the Company will not be required or expected to defer any other work in order to effect such modifications; and that any incremental costs incurred (net of incremental savings) to effectuate any such changes will be fully recoverable by the Company, subject to the Company making a compliance filing with the Commission demonstrating the incremental nature of such costs. Should any changes to SC1 rates for these cooking customers result in cost savings, the Company will defer all such savings for customer benefit.

In addition, any changes to SC 1 rates for these cooking customers will be (i) revenue neutral to the Company and (ii) designed to collect the same overall revenue from the SC 1 class.

G. **Gas in Storage**

The Company will continue to include in the MFC applicable to SC 1, SC 2 Heating and Non-Heating, SC 3 and SC 13 customers, and in the MRA applicable to all firm customers including firm transportation customers served under SC 9, charges to recover the working capital costs associated with gas in storage. Gas storage working capital costs will continue to be split between sales-related and reliability/balancing-related costs. Sales related costs will continue to be recovered only through the MFC and reliability/balancing-related costs will continue to be recovered only through the MRA. In each Rate Year, the sales-related costs and reliability/balancing-related costs will be assessed at the same cents per therm rate.

The cents per therm rate includes recovery of storage working capital costs. The carrying charge used in the determination of storage working capital costs will be the Company's authorized pre-tax rate of return on the base storage level and the Commission's Other Customer Capital Rate on amounts above the base storage level. The base storage level is defined as the lowest monthly balance excluding winter bundled sales storage gas. For purposes of calculating the rate to be billed to customers for each year, the base storage level will be estimated based on the prior year's actual levels.

The Company shall continue to perform reconciliations of storage working capital costs and recoveries on an annual basis in accordance with current tariff provisions.

H. Interruptible Service Notices

Commencing for the 2010-2011 winter period, the Company will undertake several additional steps regarding interruptible service notices.

First, for both temperature-controlled and notification customers, the Company will provide notice of a failure to interrupt in accordance with the Gas Sales and Transportation Operating Procedures ("GTOP") to up to two addresses that the Company has on the respective customers' files. With respect to interruptible gas service provided to the City of New York Department of Citywide Administrative Services ("DCAS") accounts, the Company will provide such notices to the addresses of DCAS accounts, and to the address of DCAS's headquarters, which are included on a list provided by the City to Con Edison. The City shall be solely responsible for providing an updated list to the Company to reflect any changes in such addresses.

Second, for all customers that do not respond to either of the two preseason contact notices and that have previously provided the Company with up to two e-mail contacts in accordance with the GTOP, the Company will send a single broadcast e-mail to the e-mail addresses on file with the Company for all such customers. The broadcast e-mail will simply state that the Company has made two mailing attempts to contact the customer at the customer-provided mailing address(es) on file, and that the Company has not received either the requested information (signed affidavit) or the customer's acknowledgement of receipt (return receipt requested green card). This e-mail notification will be provided at least one week in advance of the commencement of the winter season.

It continues to be the customer's responsibility to provide accurate and updated contact information as set forth in the Company's tariff and GTOP. It also continues to be each customer's responsibility to comply with all applicable requirements of the Company's tariff and GTOP. Accordingly, (i) no customer shall be relieved of any such requirements or excused from the consequences of failing to discontinue the use of gas as required, unless the customer's failure to comply is the direct result of the Company's not providing the proper notice to discontinue the use of gas service, as specified in the tariff and/or GTOP; and (ii) while the Company will make a good faith effort to provide the above-described additional pre-season and post-interruption notices, the Company's failure to provide either or both of these notices to the designated individual(s) does not relieve an interruptible customer from any of its obligations under the tariff and/or the GTOP, including the consequences for failing to discontinue usage of gas as required.

During the course of the proceeding, the City and other parties raised issues relating to the content, timeliness and provision of notices and billing to interruptible customers. To address these issues, the Company will meet with the City and other interested parties to work together to resolve any issues relating to such notices and bills. The initial meeting to address these issues will be held no later than August 2010. It is anticipated that these concerns can be resolved without the need for any direct Commission action or intervention. However, the parties reserve the right to seek the Commission's or Staff's involvement in the event any of these concerns cannot be resolved as a result of the parties' efforts.

I. Rate Design/Tariff Changes

Rate Design and Revenue Allocation changes being made as part of this Proposal are explained and described in Appendix H. In addition to the tariff changes required to implement various provisions of this Proposal, a number of tariff changes will be made as summarized below. The specific language of the changes will be shown on tariff leaves to be filed with the Commission.

(i) To conform the Company's Gas Tariff to certain provisions of the Company's Electric Tariff, a provision will be added to the "Service is Not Available Under This Service Classification" sections of SC 1 and SC 3 to allow incidental non-residential activities to be served under SC 1 and SC 3 under specified conditions and for customers that are entities rather than persons to take service for their employees who reside in the premises served;

(ii) The definition of Adjusted Gas Revenues in General Information Section II is being modified to exclude charges and adjustments that did not exist when the current definition was written;

(iii) A housekeeping change is being made to General Information Section VII. (A)1. (a) (v) to clarify that net revenues derived from capacity releases include capacity released to firm customers or to ESCOs serving firm customers under the Company's capacity release program;

(iv) Various housekeeping changes are being made, primarily in General Information Sections III, VII and IX to update tariff provisions to extend through the new rate plan, certain tariff provisions, including, among other provisions, those related to the Merchant Function Charge, the Oil-To-Gas Conversion Program, the factor of adjustment, and the Billing and Payment Processing charge, and to delete obsolete tariff provisions as necessary.

J. <u>Load Following and Balancing</u>

The Company will implement its proposal to eliminate Daily Delivery Service and Daily Cashout Service for firm transportation customers; to provide Load Following Service to both firm sales and firm transportation customers; to unitize the Load Following Charge to a cents per therm charge applicable to all usage for all firm full service and transportation customers; and to assess the Load Following Charge to all firm customers through the MRA. Every firm sales and transportation customer will pay the same rate per therm for Load Following Service and the total Load Following Charges in any billing period will be based on the customer's actual total therm usage during that billing period times the rate per therm for Load Following Service. The unitized Load Following Charge may be adjusted in any month based on a change in the Company's projected annualized cost to provide this service and/or a change in the projected annual volumes for delivery to firm full service and firm transportation customers. Actual load following costs and recoveries will be reconciled on an annual basis and any over- or under-recovery will be refunded or surcharged through the Load Following Charge in the following annual period.

VII. Miscellaneous Provisions

A. Maintaining A Goal-Oriented And Responsive Corporate Culture

The Company will continue efforts to identify changes to improve the overall culture of the enterprise, specifically to increase the Company's effectiveness and accountability to the Commission, customers, appropriate customer groups or representatives, community leaders, investors and other stakeholders. The Company will focus specifically on identifying opportunities to advance the Company's prospects for operating and project excellence, including efforts stemming from the Liberty Audit, focused cost control, and planning. The Company effort to implement culture change and achieve desired traits of business excellence will continue to focus on management, departmental and executive leadership and accountability. The Company will seek to continue to employ assessment techniques including individual and organizational performance targets designed to identify areas for improvement and deficiencies in individual and organizational performance and to take appropriate measures to address them.

B. Capital Construction Planning

In its October 5, 2009 submission in Case 08-M-0152, the Company provided a plan to implement the Liberty Audit recommendations. That plan addresses the recommendations related to capital construction planning (*e.g.*, in developing the construction programs, the planning and budgeting process will correlate capital spending to program objectives and benefits to customers.)

Con Edison will issue written directives to its managers with responsibility for capital planning and budgeting that direct them to consider rate impacts on customers in developing capital plans and budgets. These directives will be part of the Company's ongoing communications to its managers and employees regarding the budgeting process, which include directives that address maintaining reliability, planning for future system requirements, project prioritization and good utility practice.

C. Liberty Audit Report

In addition with respect to the Liberty Audit, the Company will submit to all parties in the instant proceedings an annual report addressing progress made in implementing the Liberty Audit recommendations, per the schedule established by the Commission in its March 26, 2010 Order Establishing the Electric Rate Plan in Case 09-E-0428 and Case 08-M-0152.

D. New York State Energy Plan

The Signatory Parties believe that the Proposal will further objectives of the New York State Energy Plan, issued December 15, 2009, in that it recognizes the need for maintaining service reliability standards, promotes the State's economic development and environmental values and addresses energy affordability objectives through rate design and cost allocation, revenue requirement levelization (as applicable), and revenue requirement mitigation measures, including capital expenditure and operating expenses austerity.

E. Continuation of Provisions; Rate Changes; Reservation of Authority

Unless otherwise expressly provided herein, the provisions of this Proposal will continue after RY3, unless and until gas base delivery service rates are changed by

Commission order. For any provision subject to RY1, RY2 and RY3 targets, the RY3 target shall be applicable to any additional Rate Year(s).

Nothing herein precludes Con Edison from filing a new general gas rate case prior to October 1, 2013, for rates to be effective on or after October 1, 2013. Except pursuant to rate changes permitted by this subparagraph, the Company will not file rates to be become effective prior to October 1, 2013.

Changes to the Company's base delivery service rates during the term of the Gas Rate Plan will not be permitted, except for (a) changes provided for in this Proposal; and (b) subject to Commission approval, changes as a result of the following circumstances:

a. A minor change in any individual base delivery service rate or rates whose revenue effect is *de minimis*, or essentially offset by associated changes within the same class or for other classes. It is understood that, over time, such minor changes may be necessary and that they may continue to be sought during the term of the Gas Rate Plan, provided they will not result in a change (other than a *de minimis* change) in the revenues that Con Edison's base delivery service rates are designed to produce overall before such changes.

b. If a circumstance occurs which in the judgment of the Commission so threatens Con Edison's economic viability or ability to maintain safe, reliable and adequate service as to warrant an exception to this undertaking, Con Edison will be permitted to file for an increase in base delivery service rates at any time under such circumstances.

c. The Signatory Parties recognize that the Commission reserves the authority to act on the level of Con Edison's gas rates in the event of unforeseen circumstances that, in the Commission's opinion, have such a substantial impact on the range of earnings levels or equity costs envisioned by the Gas Rate Plan as to render Con Edison's gas rates unreasonable or insufficient for the provision of safe and adequate service or just and reasonable rates.

d. Nothing herein will preclude Con Edison from petitioning the Commission for approval of new services, the implementation of new service classifications and/or cancellation of existing service classifications, or rate design or revenue allocation changes on a basis that is revenue neutral to the Company.

e. The Signatory Parties reserve the right to oppose any filings made by the Company under this or any other section of this Proposal.

F. Legislative, Regulatory and Related Actions

a. If at any time after the date of this Proposal the federal government, State of New York, the City of New York and/or other local governments make changes in their tax laws (other than local property taxes, which will be reconciled in accordance with Section IV.A) that result in a change in the Company's gas costs in an annual amount of $3.3 million or more, and if the Commission does not address the treatment (*e.g.*, through a surcharge or credit) of any such tax law changes, including any new, additional, repealed or reduced federal, State, City of New York or local government taxes, fees or levies, Con Edison will defer on its books of account the full change in expense and reflect such deferral as credits or debits to customers in the next base rate change subject to any final Commission determination in a generic proceeding prescribing utility implementation of a specific tax enactment, including a Commission determination of any Company-specific compliance filing made in connection therewith.[35]

[35] All Signatory Parties reserve all of their administrative and judicial rights in connection with such generic proceeding(s).

b. If at any time after the date of this Proposal any other law, rule, regulation, order, or other requirement or interpretation (or any repeal or amendment of an existing rule, regulation, order or other requirement) of the federal, State, or local government or courts, including a requirement that Con Edison refund its tax exempt debt, results in a change in Con Edison's annual gas costs or expenses not anticipated in the expense forecasts and assumptions on which the rates in this Proposal are based in an annual amount of $3.3 million or more,[36] Con Edison will defer on its books of account the full change in expense, with any such deferrals to be reflected in the next base rate case or in a manner to be determined by the Commission.

c. The Company will retain the right to petition the Commission for authorization to defer on its books of account extraordinary expenditures not otherwise addressed by this Proposal

G. Trade Secret Protections

Nothing in this document prevents Con Edison from seeking trade secret protection under 16 NYCRR Part 6 for all or any part(s) of any document or report filed (or submitted to Staff) in accordance with the Gas Rate Plan, or prohibits or restricts any other party from challenging any such request.

H. Provisions Not Separable

The Signatory Parties intend this Proposal to be the complete resolution of all the issues in Case 09-G-0795. It is understood that each provision of this Proposal is in consideration and support of all the other provisions, and expressly conditioned upon

[36] For purposes of this Proposal, the $3.3 million threshold will be applied on a case-by-case basis and not to the aggregate impact of changes of two or more laws, rules, etc.; provided, however, that this threshold will be applied on a Rate Year basis to the incremental aggregate impact of all contemporaneous changes (*e.g.*, changes made as a package even if they occur or are implemented over a period of months) affecting a particular subject area and not to the individual provisions of the new law, rule, etc.

acceptance by the Commission. Except as set forth herein, none of the Signatory Parties is deemed to have approved, agreed to or consented to any principle, methodology or interpretation of law underlying or supposed to underlie any provision herein. If the Commission fails to adopt this Proposal according to its terms, then the Signatory Parties to the Proposal will be free to pursue their respective positions in this proceeding without prejudice.

I. <u>Provisions Not Precedent</u>

The terms and provisions of this Proposal apply solely to, and are binding only in, the context of the purposes and results of this Proposal. None of the terms or provisions of this Proposal and none of the positions taken herein by any party may be referred to, cited, or relied upon by any other party in any fashion as precedent or otherwise in any other proceeding before this Commission or any other regulatory agency or before any court of law for any purpose other than furtherance of the purposes, results, and disposition of matters governed by this Proposal.

J. <u>Submission of Proposal</u>

The Signatory Parties agree to submit this Proposal to the Commission and to individually support and request its adoption by the Commission as set forth herein. The Signatory Parties hereto believe that the Proposal will satisfy the requirements of Public Service Law §65(1) that Con Edison provide safe and adequate service at just and reasonable rates.

K. <u>Effect of Commission Adoption of Terms of this Proposal</u>

No provision of this Proposal or the Commission's adoption of the terms of this Proposal shall in any way abrogate or limit the Commission's statutory authority under the Public Service Law. The Parties recognize that any Commission adoption of the terms of this Proposal does not waive the Commission's ongoing rights and responsibilities to enforce its orders and effectuate the goals expressed therein, nor the rights and responsibilities of Staff to conduct investigations or take other actions in furtherance of its duties and responsibilities.

L. <u>Further Assurances</u>

The Signatory Parties recognize that certain provisions of this Proposal require that actions be taken in the future to fully effectuate this Proposal. Accordingly, the Signatory Parties agree to cooperate with each other in good faith in taking such actions.

M. <u>Execution</u>

This Proposal is being executed in counterpart originals, and shall be binding on each Signatory Party when the counterparts have been executed.

The Signatory Parties hereto have affixed their signatures below as evidence of their agreement to support before the Commission and be bound by the provisions of this Proposal.

CONSOLIDATED EDISON COMPANY
OF NEW YORK, INC.

Dated: May 18, 2010

By Marc Richter

Case 09-G-0795

NEW YORK STATE DEPARTMENT OF
PUBLIC SERVICE

Dated: MAY 18, 2010

By: ____________________

Case 09-G-0795

CONSUMER POWER ADVOCATES

Dated: 5/18/10

By: ______________________

Case 09-G-0795

SMALL CUSTOMER MARKETER
COALITION

Dated: 5.18.10

By: [signature], Counsel

<u>Consolidated Edison Company of New York, Inc.</u>
Case 09-G-0795

Index

Consolidated Edison Company of New York, Inc.
Case 09-G-0795
Gas Revenue Requirement
For The Twelve Months Ending September 30, 2011
$ 000's

	Rate Year 1 Forecast	RDM Adjustment	Rate Year 1 (excl. RDM)	Rate Year 1 Rate Change	Rate Year 1 With Rate Change
Operating Revenues					
Sales Revenues	$ 873,590		$ 873,590	$ 47,138	$ 920,728
Gas RDM Sales	36,456	(36,456)	-	-	-
Other Revenues	8,474	(104)	8,370	134	8,504
Net Revenues	918,520	(36,560)	881,960	47,272	929,232
Operating Expense					
Other Fuel Charges	792		792		792
Operations & Maintenance Expenses	301,302	(317)	300,985	410	301,395
Depreciation	108,022		108,022		108,022
Taxes Other Than Income Taxes	207,306	(1,061)	206,245	1,372	207,617
Total Deductions	617,422	(1,378)	616,044	1,782	617,826
Operating Income Before Income Taxes	301,098	(35,182)	265,916	45,490	311,406
New York State Income Taxes	15,086	(2,498)	12,588	3,230	15,818
Federal Income Tax	66,411	(11,440)	54,971	14,791	69,762
Utility Operating Income	$ 219,601	$ (21,244)	$ 198,357	$ 27,469	$ 225,827
Rate Base	$ 3,027,173				$ 3,027,173
Rate of Return	7.25%				7.46%

Consolidated Edison Company of New York, Inc.
Case 09-G-0795
Gas Revenue Requirement
For The Twelve Months Ending September 30, 2012
$ 000's

	Rate Year 1 With Rate Change	Rate Year 2 Revenue/Expense Rate Base Changes	Rate Year 2 Rate Change	Rate Year 2 With Rate Change
Operating Revenues				
Sales Revenues	$ 920,728	$ 5,555	$ 47,924	$ 974,207
Other Revenues	8,504	(662)	137	7,979
Net Revenues	929,232	4,893	48,061	982,186
Operating Expense				
Other Fuel Charges	792			792
Operations & Maintenance Expenses	301,395	8,347	417	310,159
Depreciation	108,022	8,679		116,701
Taxes Other Than Income Taxes	207,617	12,524	1,395	221,536
Total Deductions	617,826	29,550	1,812	649,188
Operating Income Before Income Taxes	311,406	(24,657)	46,249	332,998
New York State Income Taxes	15,818	(2,170)	3,284	16,932
Federal Income Tax	69,762	(10,839)	15,038	73,961
Utility Operating Income	$ 225,827	$ (11,647)	$ 27,927	$ 242,107
Rate Base	$ 3,027,173	$ 218,232		$ 3,245,405
Rate of Return	7.46%			7.46%

Consolidated Edison Company of New York, Inc.
Case 09-G-0795
Gas Revenue Requirement
For The Twelve Months Ending September 30, 2013
$ 000's

	Rate Year 2 With Rate Change	Rate Year 3 Revenue/Expense Rate Base Changes	Rate Year 3 Rate Change	Rate Year 3 With Rate Change
Operating Revenues				
Sales Revenues	$ 974,207	$ 2,349	$ 46,663	$ 1,023,219
Other Revenues	7,979	(660)	133	7,452
Net Revenues	982,186	1,689	46,796	1,030,671
Operating Expense				
Other Fuel Charges	792			792
Operations & Maintenance Expenses	310,159	3,818	406	314,383
Depreciation	116,701	7,490		124,191
Taxes Other Than Income Taxes	221,536	12,330	1,358	235,224
Total Deductions	649,188	23,638	1,764	674,590
Operating Income Before Income Taxes	332,998	(21,949)	45,032	356,081
New York State Income Taxes	16,932	(1,738)	3,197	18,391
Federal Income Tax	73,961	(7,111)	14,642	81,492
Utility Operating Income	$ 242,107	$ (13,100)	$ 27,193	$ 256,199
Rate Base	$ 3,245,405	$ 188,902		$ 3,434,308
Rate of Return	7.46%			7.46%

Consolidated Edison Company of New York, Inc.
Case 09-G-0795
Average Gas Rate Base
For Rate Years Ending September 30, 2011, 2012 and 2013
$ 000's

	Rate Year 1	Rate Year 2 Changes	Rate Year 2	Rate Year 3 Changes	Rate Year 3
Utility Plant:					
Book Cost of Plant	$ 4,222,488	317,101	$ 4,539,589	$ 296,921	$ 4,836,510
Accumulated Reserve for Depreciation	(1,049,902)	(75,014)	(1,124,916)	(82,440)	(1,207,355)
Net Plant	3,172,586	242,087	3,414,673	214,481	3,629,155
Non-Interest Bearing CWIP	137,679	(7,701)	129,978	(8,627)	121,351
Gas Stored Underground - Non-Current	1,239	-	1,239	-	1,239
Preferred Stock Expense	485	-	485	-	485
Unamortized Debt Discount/Premium/Expense	25,654	-	25,654	-	25,654
Customer Advances for Construction	(1,882)	-	(1,882)	-	(1,882)
MTA Surtax - Net of Income Taxes	2,337	-	2,337	-	2,337
Working Capital	83,561	3,602	87,164	3,025	90,189
EBCAP	89,799	-	89,799	-	89,799
Accrual for Unbilled Revenues	35,497	-	35,497	-	35,497
Honeoye Storage Corporation	3,570	-	3,570	-	3,570
Interference Cost Sharing Agreement - Net of Tax	(4,865)	-	(4,865)	-	(4,865)
Divested Stations - Unauthorized Gas Use - Net of Tax	(449)	-	(449)	-	(449)
WTC Deferred Expense Recovered - Net of Tax	13,429	(1,181)	12,248	(1,181)	11,066
Rate Case Reconciliations - Net of Income Taxes					
MGP/Superfund with Interest	22,431	1,517	23,948	1,103	25,051
Undercollection of Property Taxes	4,491	(1,796)	2,695	(1,796)	898
Interest on 263A Deferred Tax	148	(59)	89	(59)	30
Interest on Rate Case Deferrals	537	(215)	322	(215)	107
T&D Reconciliation	2,747	(1,099)	1,648	(1,099)	550
Refund of Medicare Rx Legislation Savings	(453)	181	(272)	181	(91)
Divested Stations-Unauthorized Gas Use	(740)	296	(444)	296	(148)
Refund of Interest - Non-Firm Revenue Deferral	(11)	4	(7)	4	(3)
Gas Penalties - Off Peak/Interruptible	(1,894)	758	(1,136)	758	(379)
Refund of Interest on Audit Adj NYS Income Tax	(4)	2	(2)	2	(1)
Refund of GRT Tax Refund	(228)	91	(137)	91	(46)
Accumulated Deferred Income Taxes					
ADR / ACRS / MACRS Deductions	(446,067)	(9,936)	(456,003)	(11,335)	(467,338)
Change of Accounting Section 263A	(77,694)	(6,853)	(84,547)	(6,436)	(90,983)
Amortization of Computer Software	(11,320)	-	(11,320)	-	(11,320)
Prepaid Insurance Expenses	(625)	-	(625)	-	(625)
Deferred MTA	(4,665)	-	(4,665)	-	(4,665)
Vested Vacation	1,803	-	1,803	-	1,803
Unbilled Revenues	21,491	-	21,491	-	21,491
Contributions in Aid of Construction	1,440	-	1,440	-	1,440
Capitalized Interest	172	-	172	-	172
FIN 48 - Disallowed SSCM	-	258	258	258	517
Call Premium	(646)	(90)	(736)	(90)	(827)
Excess Deferred Tax	(17,642)	-	(17,642)	-	(17,642)
Excess Deferred SIT (2000/2001)	(571)	-	(571)	-	(571)
Excess Deferred SIT	(24,167)	(1,634)	(25,801)	(459)	(26,261)
Total Rate Base	$ 3,027,173	$ 218,232	$ 3,245,405	$ 188,902	$ 3,434,306

Consolidated Edison Company of New York, Inc.
Gas Case 09-G-0795
Average Capital Structure & Cost of Money
For Rate Years Ending September 30, 2011, 2012 and 2013

	Capital Structure %	Cost Rate %	Cost of Capital %	Pre Tax Ratio @ 60.385%
Long term debt	49.68%	5.57%	2.77%	2.77%
Preferred Stock	1.03%	5.34%	0.06%	0.09%
Customer deposits	1.29%	2.45%	0.03%	0.03%
Preferred Stock & Debt	52.00%		2.85%	2.89%
Common Equity	48.00%	9.60%	4.61%	7.63%
Total	100.00%		7.46%	10.52%

Consolidated Edison Company of New York, Inc.
Gas Case 09-G-0795
Amortization of Regulatory Deferrals (Debits & Credits)
$ 000's

	Twelve Months Ending September 30,			
Regulatory Assets (Debits)	2011	2012	2013	Total
1 WTC Capital Exp. Amortization	1,956	$ 1,956	$ 1,956	$ 5,868
2 MGP/Superfund Recovery (1)	3,669	4,367	5,065	13,101
3 Recovery of Interest on MGP/Superfund (1)	917	917	917	2,751
4 Recovery of Undercollection of Pension/OPEB Costs (2)	7,427	7,427	7,427	22,281
5 Recovery of Undercollection of Property Tax	2,975	2,975	2,975	8,925
6 Recovery of Interest on 263A Deferred Tax	98	98	98	294
7 Recovery of Interest on Rate Case Deferral	356	356	356	1,068
8 Recovery of T&D Reconciliation	1,819	1,819	1,819	5,457
9 Interest on NYS Tax Law	1	-	-	1
Total Regulatory Assets (a)	$ 19,218	$ 19,915	$ 20,613	$ 59,746
Regulatory Liabilities (Credits)				
1 Refund of Deferred Medicare Rx Legislation Savings	$ 300	$ 300	$ 300	$ 900
2 Divested Stations-Unauthorized Gas Use	490	490	490	1,470
3 Interest - Non Firm Rev Deferred	7	7	7	21
4 Gas Penalties-Off Peak/Interruptible	1,255	1,255	1,255	3,765
5 Interest On Audit Adj. NYS Income Tax	3	3	3	9
6 Gas Portion - Refund of GRT Tax Refund	151	151	151	453
Total Regulatory Liabilities (b)	$ 2,206	$ 2,206	$ 2,206	$ 6,618
Net Debits (a - b)	$ 17,012	$ 17,709	$ 18,407	$ 53,128

(1) Deferred MGP/Superfund expenditures and interest are being recovered (amortized) over 10 years
(2) Deferred Pension/OPEB costs are being recovered (amortized) over 5 years

Consolidated Edison Company of New York, Inc.
Case 09-G-0795
Sales Revenues
$ 000's

Base Revenues (excl GRT)	Twelve Months Ending September 30, 2011	Rate Increase	2011	RY2 Sales Gain/(Loss)	Twelve Months Ending September 30, 2012	Rate Increase	2012	RY 3 Sales Gain/(Loss)	Twelve Months Ending September 30, 2013	Rate Increase	2013
Service Classification 1	147,650	8,105	155,755	(2,515)	153,240	9,200	162,440	(2,663)	159,776	8,800	168,576
Service Classification 2 - Non-Heating	79,805	4,244	84,049	1,135	85,184	4,935	90,119	1,495	91,614	4,884	96,498
Service Classification 2 - Heating	133,753	9,299	143,051	1,221	144,272	8,316	152,588	1,268	153,856	8,162	162,017
Service Classification 2 - DG	4,486	195	4,681	0	4,681	267	4,948	(0)	4,948	261	5,208
Service Classification 2 - Contract	1,277	-	1,277	-	1,277	-	1,277	-	1,277	-	1,277
Service Classification 3	354,340	25,139	379,479	5,591	385,070	22,466	407,535	2,182	409,718	21,979	431,697
Service Classification 13	369	22	391	27	417	24	442	29	470	25	496
Service Classification 14	199	-	199	-	199	-	199	-	199	-	199
Service Classification 12 Commodity	1,076	-	1,076	-	1,076	-	1,076	-	1,076	-	1,076
Service Classification 12 Transportation	9,357	-	9,357	-	9,357	-	9,357	-	9,357	-	9,357
NYPA Demand	3,096	-	3,096	-	3,096	-	3,096	-	3,096	-	3,096
Non-Firm Revenue Retained	53,000	-	53,000	-	53,000	-	53,000	-	53,000	-	53,000
Subtotal	788,408	47,003	835,411	5,459	840,870	45,207	886,077	2,310	888,387	44,111	932,497
Other Surcharges											
Billing & Payment Processing	6,194	885	7,079	(46)	7,034	-	7,034	(7)	7,027	-	7,027
Competitive Revenues											
- MFC Supply and C&C related Charges	20,279	(3,714)	16,566	-	16,566	1,082	17,648	-	17,648	993	18,641
- MRA Oil to Gas Conversion Program	1,465	-	1,465	-	1,465	-	1,465	-	1,465	-	1,465
- POR Credit & Collection Charges	1,528	1,593	3,120	-	3,120	204	3,324	-	3,324	187	3,511
- System Benefit Charges	16,268	-	16,288	-	16,288	-	16,288	-	16,288	-	16,288
- Energy Efficiency Program	14,005	-	14,005	-	14,005	-	14,005	-	14,005	-	14,005
Rate Design Rounding	-	-	-	(20)	(20)	36	16	(22)	(6)	14	8
Gross Receipts Tax	25,422	1,372	26,794	162	26,956	1,395	28,351	68	28,419	1,358	29,777
	$ 873,590	$ 47,138	$ 920,728	$ 5,555	$ 926,283	$ 47,924	$ 974,207	$ 2,349	$ 976,556	$ 46,663	$ 1,023,219

Volumes (Therms)	2011	RY2 Sales Gain/(Loss)	2012	RY 3 Sales Gain/(Loss)	2013
Service Classification 1	47,968,103	(758,924)	47,209,179	(758,925)	46,450,254
Service Classification 2 - Non-Heating	174,053,862	3,680,670	177,734,532	3,908,047	181,642,579
Service Classification 2 - Heating	287,770,221	3,297,944	291,068,165	2,955,709	294,023,874
Service Classification 2 - DG	47,650,000	-	47,650,000	-	47,650,000
Service Classification 2 - Contract	15,920,000	-	15,920,000	-	15,920,000
Service Classification 3	602,846,541	8,181,120	611,027,661	1,275,064	612,302,725
Service Classification 13	1,124,295	77,607	1,201,902	77,607	1,279,509
Service Classification 14	120,000	-	120,000	-	120,000
Service Classification 12 Commodity	8,070,000	-	8,070,000	-	8,070,000
Service Classification 12 Transportation	129,010,000	-	129,010,000	-	129,010,000
	1,314,533,022	14,478,417	1,329,011,439	7,457,502	1,336,468,941

Consolidated Edison Company of New York, Inc.
Case 09-G-0795
Other Operating Revenues *
For Rate Years Ending September 30, 2011, 2012 and 2013
$ 000's

	Twelve Months Ending September 30,				
	2011	RY2 Update	2012	RY3 Update	2013
Inderdepartmental Rents	$ 5,512	$ -	$ 5,512	$ -	$ 5,512
Miscellaneous Service Rents	1,056	-	1,056	-	1,056
Rent from Gas Property:					
New York Facilities	5,724	-	5,724	-	5,724
Real Estate Rents	324	-	324	-	324
Gas Tunnels - NYC	187	-	187	-	187
Late Payment Charges	4,520	137	4,657	133	4,790
Trans. Sysrtem Reinforce Recoveries					
NYPA Variable and Maintenance	541	-	541	-	541
Steam Dept. - ERRP Incremental Charges	1,215	-	1,215	-	1,215
Reimbursement to KeySpan - Governor's Island	(59)	-	(59)	-	(59)
POR Discount (Revenue from ESCO)	4,264	-	4,264	-	4,264
R&D GAC Surcharge	2,010	36	2,046	38	2,084
Other	222	-	222	-	222
	$ 25,516	$ 173	$ 25,688	$ 171	$ 25,860

* Excludes amortization of regulatory deferrals charged / credited to other operating revenues
Includes Late Payment Charges related to rate increases

Consolidated Edison Company of New York, Inc.
Case 09-G-0795
Gas True Up Targets
$ 000's

	Twelve Months Ending September 30,				
Expense True-ups	2011	RY2 Change	2012	RY3 Change	2013
Municipal Infrastructure Support Interference - excl. Company Labor					
(True-up - 100% Downward, 80/20 Upward Within 30% Band)	$ 16,898	$ 300	$ 17,198	$ 322	$ 17,520
Property Tax Expense (80/20 True up) +/- cap of 10 basis points. (a)					
New York City	135,923	11,436	147,359	11,309	158,668
Upstate and Westchester	35,067	769	35,836	785	36,621
Total Property Taxes	170,990	12,205	183,195	12,094	195,289
Employee Pensions	33,310	2,791	36,101	(1,036)	35,066
Other Post Employment Benefits	8,090	(107)	7,983	(985)	6,998
Pension / OPEB Expense	41,400	2,684	44,085	(2,021)	42,064
Pipeline Integrity Costs - New York Facilities Charges	1,845	-	1,845	-	1,845
Research and Development (Downward only) (3-yr cumulative) (b)	1,764	31	1,795	34	1,829
Interest Rates					
Embedded Cost of Long Term Debt	5.57%	-	5.57%	-	5.57%
Income Tax Flow Thru Deductions (True-ups)					
Medicare Part D Accrued Reimbursements	3,445	-	3,445	(2,584)	861
x effective State & Federal Income Tax Rate	39.615%	-	39.615%	-	39.615%
Medicare Part D - Tax Savings	1,365	-	1,365	(2,584)	341
Rate Base					
Deferred FIT					
Deferred 263A	$(77,694)	$ (6,853)	$ (84,547)	$ (6,436)	$ (90,983)

(a) Targets may be updated July 15th, if new property rates are known.
The Company's 20 percent share of property tax expenses above or below the level in rates is capped at an annual amount equal to 10 basis on common equity. The Company will defer on its books of account, for recovery from or credit to customers, 100 percent of the variation above or below the level at which the cap takes effect.

(b) R&D targets exclude amounts recovered through the GAC for the Millennium Fund.

Consolidated Edison Company of New York, Inc.
Case 09-G-0795
Average Plant Balances
$ 000's

Gas Distribution Plant (excluding Interference)*

Rate Year	Plant In Service	Accumulated Depreciation	Net Plant
RY1	$ 3,796,098	$ 925,115	$ 2,870,983
RY2	4,050,090	997,135	3,052,955
RY3	4,295,520	1,074,751	3,220,769

Gas Interference Plant *

Rate Year	Plant In Service	Accumulated Depreciation	Net Plant
RY1	$ 64,549	$ 1,253	$ 63,296
RY2	97,714	3,036	94,678
RY3	130,714	5,558	125,156

Gas Distribution Plant Target (includes Interference)*

Rate Year	Plant In Service	Accumulated Depreciation	Net Plant
RY1	$ 3,860,647	$ 926,368	$ 2,934,279
RY2	4,147,804	1,000,171	3,147,633
RY3	4,426,234	1,080,309	3,345,925

Gas Carrying Charge - Distribution Plant	
- Before Tax ROR	10.52%
- Composite Depr. Rate	2.28%
Total	12.80%

* Accumulated Depreciation excludes net removal cost
Gas distribution plant excludes gas portion of common general plant

Consolidated Edison Company of New York, Inc.
Case 09-G-0795
Gas Distribution Capital Spending Projection
$ 000's

RY1	$302,503
RY2	$290,605
RY3	$287,410

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
DEPRECIATION RATES FOR GAS & COMMON UTILITY PLANT

ACCOUNT TITLE	COMPANY ACCOUNT	LIFE TABLE	AVERAGE SERVICE LIFE	NET SALVAGE	ANNUAL DEPR. RATE	
GAS PLANT IN SERVICE						
LNG. STORAGE PLANT						
LAND & LAND RIGHTS - LIQ. ST.	9639	-	-	-	-	
ST. & IMPROVE.-LIQ. STORAGE	9641	h 2.50	40	(20)	3.00	
GAS HOLDERS-LIQ. STORAGE	9643	h 4.00	30	(10)	3.67	
PURIFICATION EQUIPMENT	9644	h 3.00	25	(10)	4.40	
LIQUEFACTION EQUIPMENT	9645	h 3.00	25	(10)	4.40	
VAPORIZING EQUIPMENT	9646	h 3.00	25	(10)	4.40	
COMPRESSOR EQUIP.-LIQ. ST.	9647	h 3.00	25	(10)	4.40	
MEAS. & REG. EQUIP. - LIQ. ST.	9648	h 3.00	25	(10)	4.40	
OTHER EQUIPMENT-LIQUEFIED ST.	9649	h 3.00	25	(10)	4.40	
TRANSMISSION PLANT						
LAND AND LAND RIGHTS	9680	-	-	-	-	
STRUCTURES & IMPROVEMENTS	9682	h 1.50	40	(35)	3.38	
MAINS	9684					
STEEL MAINS AND OTHER		h 2.00	80	(60)	2.00	(A)
CAST IRON MAINS		h 0.75	70	(100)	2.86	
TUNNELS		h 5.00	85	(50)	1.76	
COMPRESSOR STATION EQUIP	9686	h 3.00	15	(10)	7.33	
MEAS. & REG. STATION EQ.	9688	h 1.00	55	(45)	2.64	
DISTRIBUTION PLANT						
MAINS	9656					
STEEL MAINS AND OTHER		h 2.00	80	(60)	2.00	(A)
CAST IRON MAINS		h 0.75	70	(100)	2.86	(A)
SERVICES	9666	h 1.25	55	(30)	2.36	(A)
METERS	9668	h 1.75	40	(10)	2.75	
METER INSTALLATIONS	9670	-	40	-	2.50	
HOUSE REGULATORS	9673	h 2.50	30	(20)	4.00	
HOUSE REG. INSTALLATIONS	9676	-	30	-	3.33	
CAPITALIZED SOFTWARE	9678	(B)	5	-	20.00	

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
DEPRECIATION RATES FOR GAS & COMMON UTILITY PLANT

ACCOUNT TITLE	COMPANY ACCOUNT	LIFE TABLE	AVERAGE SERVICE LIFE	NET SALVAGE	ANNUAL DEPR. RATE
COMMON UTILITY PLANT					
MISC. INTANGIBLE PLANT					
CAPITALIZED SOFTWARE	9814				
5 YEAR AMORTIZATION		(B)	5	-	20.00
10 YEAR AMORTIZATION		(B)	10	-	10.00
15 YEAR AMORT (PAYROLL & GL SYSTEMS)		(B)	15	-	6.67
GENERAL PLANT					
LAND AND LAND RIGHTS	9810	-	-	-	-
STRUCTURES & IMPROVEMENTS	9812	h0.75	50	(60)	3.20
STRUCT. & IMPROV. - CAP LEASES	9813	-	-	-	-
OFFICE FURNITURE & EQUIPMENT					
EDP EQUIPMENT	9815	(C)	8	5	11.88
OTHER OFFICE FURN. & EQUIP.	9816	(C)	18	-	5.56
TRANSPORTATION EQUIPMENT	9820	(C)	8	10	11.25
STORES EQUIPMENT	9824	(C)	20	5	4.75
TOOLS, SHOP, & GARAGE EQUIP	9830	(C)	18	5	5.28
LABORATORY EQUIPMENT	9828	(C)	20	-	5.00
POWER OPERATED EQUIPMENT	9829	(C)	12	10	7.50
COMMUNICATION EQUIPMENT	9832	(C)	15	-	6.67
MISCELLANEOUS EQUIPMENT	9834	(C)	20	-	5.00

(A) RATE NOT APPLICABLE TO NET UNRECOVERED COST OF PLANT SERVING INTERRUPTIBLE CUSTOMERS
(B) AMORTIZATION IN ACCORDANCE WITH THE SOFTWARE ACCOUNTING GUIDELINE
(C) AMORTIZATION IN ACCORDANCE WITH THE METHOD SPECIFIED IN CASE NO. 93-M-1098

Consolidated Edison Company of New York, Inc.

09-G-0795

Common Allocation Factors

	Electric	Gas	Steam
Administrative & General Expenses			
A&G - Labor Related	78.70%	16.20%	5.10%
A&G - Other than Labor	81.14%	13.21%	5.65%
Pensions/OPEBs and Health Ins. Capitalized	72.67%	23.63%	3.70%
A&G Transferred - Other	76.55%	17.80%	5.65%
Customer Accounting Expenses			
Uncollectible Accounts	86.00%	14.00%	0.00%
Other Customer Accounts	82.00%	18.00%	0.00%
Energy Services	89.00%	11.00%	0.00%
Other Customer Assistance and Informational & Promotional Advertising	82.00%	18.00%	0.00%
Taxes Other than FIT			
Sales & Use	77.75%	15.50%	6.75%
Vehicle/Gasoline	81.00%	16.50%	2.50%
Payroll Taxes	78.75%	16.25%	5.00%
Payroll Taxes Transferred to Construction	72.50%	23.75%	3.75%
Other	81.25%	13.25%	5.50%
Plant			
Common Plant	83.00%	17.00%	0.00%
Common M&S	77.00%	17.00%	6.00%

Consolidated Edison Company of New York, Inc.
Pro forma Cumulative Earnings Test
Gas Case 09-G-0795
Twelve Months Endings September 30, 2011, 2012 & 2013
$000's

Establish Annual Earnings Sharing Targets	RY-1	RY-2	RY-3	Cumulative	Operating Income
Income Required to Achieve Targets	$236,700	$250,300	$263,750	$750,750	$750,750
Actual Average Rate Base	$3,025,000	$3,250,000	$3,425,000	$9,700,000	
Rate of Return on Rate Base	7.82%	7.70%	7.70%	7.74%	
Return on Common Equity **(see page 2)**	10.35%	10.10%	10.10%	10.18%	
Return on Equity Sharing Threshold	10.35%	10.10%	10.10%	10.18%	
Return Over / (Under) Target	0.00%	0.00%	0.00%	0.00%	

Calculation of Actual Earned Returns and Variation from Target	RY-1	RY-2	RY-3	Cumulative	
Actual Operating Income	$200,000	$300,000	$275,000	$775,000	$775,000
Actual Average Rate Base	$3,025,000	$3,250,000	$3,425,000	$9,700,000	
Rate of Return on Rate Base	6.61%	9.23%	8.03% #	7.99%	
Return on Common Equity **(see page 3)**	7.83%	13.28%	10.78%	10.70%	
Return on Equity Sharing Threshold	10.35%	10.10%	10.10%	10.18%	
Return Over / (Under) Target	-2.53%	3.18%	0.68%	0.52%	
Earnings Over / Under Target	-$76,400	$103,500	$23,400	$50,500	$24,250

		After Tax Amounts	Before Tax Amounts	Customer Share
Equity Earnings Base (Cumulative) x Equity Ratio $9,700,000 x 48.00%	=	$4,656,000		
Cumulative Equity Earnings over Target $4,656,000 x 0.52%		$24,250		
Revenue Requirement Equivalent (Earnings B/F Income Tax) $24,250 / 60.385%			$40,160	
Customer Share of Earnings Over Target @ 60.00%				$24,100

Consolidated Edison Company of New York, Inc.
Consolidated Capital Structure & Cost Rates
Calculation of Earnings Targets
For Rate Year Ending September 30, 2011

Rate Year 1	Ratio	Cost Rate	Weighted Average Cost
Long Term Debt	49.68%	5.57%	2.77%
Customer Deposits	1.29%	2.45%	0.03%
Preferred Stock	1.03%	5.34%	0.06%
Common Equity	48.00%	**10.35%**	4.97%
Total	100.00%		7.82%

For Rate Year Ending September 30, 2012

Rate Year 1	Ratio	Cost Rate	Weighted Average Cost
Long Term Debt	49.68%	5.57%	2.77%
Customer Deposits	1.29%	2.45%	0.03%
Preferred Stock	1.03%	5.34%	0.06%
Common Equity	48.00%	**10.10%**	4.85%
Total	100.00%		7.70%

For Rate Year Ending September 30, 2013

Rate Year 1	Ratio	Cost Rate	Weighted Average Cost
Long Term Debt	49.68%	5.57%	2.77%
Customer Deposits	1.29%	2.45%	0.03%
Preferred Stock	1.03%	5.34%	0.06%
Common Equity	48.00%	**10.10%**	4.85%
Total	100.00%		7.70%

Three Years Ending September 30, 2013 (Cumulative)

Rate Year 1	Ratio	Cost Rate	Weighted Average Cost
Long Term Debt	49.68%	5.57%	2.77%
Customer Deposits	1.29%	2.45%	0.03%
Preferred Stock	1.03%	5.34%	0.06%
Common Equity	48.00%	**10.18%**	4.89%
Total	100.00%		7.74%

Consolidated Edison Company of New York, Inc.
Consolidated Capital Structure & Cost Rates
Calculation of Actual Returns
For Rate Year Ending September 30, 2011

Rate Year 1	Ratio	Cost Rate	Weighted Average Cost
Long Term Debt	49.68%	5.57%	2.77%
Customer Deposits	1.29%	2.45%	0.03%
Preferred Stock	1.03%	5.34%	0.06%
Common Equity	48.00%	**7.83%**	3.76%
Total	100.00%		6.61%

For Rate Year Ending September 30, 2012

Rate Year 1	Ratio	Cost Rate	Weighted Average Cost
Long Term Debt	49.68%	5.57%	2.77%
Customer Deposits	1.29%	2.45%	0.03%
Preferred Stock	1.03%	5.34%	0.06%
Common Equity	48.00%	**13.28%**	6.38%
Total	100.00%		9.23%

For Rate Year Ending September 30, 2013

Rate Year 1	Ratio	Cost Rate	Weighted Average Cost
Long Term Debt	49.68%	5.57%	2.77%
Customer Deposits	1.29%	2.45%	0.03%
Preferred Stock	1.03%	5.34%	0.06%
Common Equity	48.00%	**10.78%**	5.18%
Total	100.00%		8.03%

Three Years Ending September 30, 2013 (Cumulative)

Rate Year 1	Ratio	Cost Rate	Weighted Average Cost
Long Term Debt	49.68%	5.57%	2.77%
Customer Deposits	1.29%	2.45%	0.03%
Preferred Stock	1.03%	5.34%	0.06%
Common Equity	48.00%	**10.70%**	5.14%
Total	100.00%		7.99%

GAS RATE DESIGN

1. Billing Determinants and Rate Design Targets

Table 1 provides the billing determinants for the delivery rate design. Table 2 provides the rate design targets for the Supply-Related and Credit and Collections ("C&C") components of the Merchant Function Charge ("MFC") for RY1, the C&C component of the Purchase of Receivables ("POR") discount rate for RY1, the Supply-Related component of the MFC, the total C&C applicable to the MFC and POR discount rate for RY2 and RY3, the Billing and Payment Processing charges for RY1, RY2 and RY 3, and non-competitive delivery charges for RY1, RY2 and RY3.

2. Allocation of Increased Revenue Requirement

For the first Rate Year, the total increase in the Company's revenue requirement of $47,138,000, less gross receipts tax of $1,371,752, was allocated to firm sales and firm transportation customers in SC 1, 2, 3, 9 and 13 in the following manner: (a) Class Revenues from unbundled service and non-competitive delivery service at current rates for RY1 were estimated, including an adjustment among the classes for Low Income discounts consistent with the rate design for current discounts; (b) Revenue deficiencies/surpluses as indicated in Table 3, were assigned to SC 2 Non-Heating, SC 3 and SC 13 classes; (c) The average percentage rate increase was applied to the resulting class revenues; (d) Low income discounts were allocated among the classes consistent with the allocation of the rate increase; (e) Class revenues from unbundled service at the proposed rates were subtracted to determine the non-competitive delivery service revenue at proposed rates; (f) The total non-competitive delivery rate increase is the difference between the non-competitive delivery revenue at current rates and the non-competitive delivery revenue requirement at proposed rates , as indicated in Table 3; and (g) The RY 1 overall percentage rate increase for each class was determined by dividing the total RY 1 delivery rate increase by the total delivery revenue at current rates.

For the second Rate Year, the non-competitive delivery rate increase was determined by subtracting RY 2 forecasted sales and transportation volumes priced at RY 1 non-competitive delivery rates from the RY 2 (non-competitive) delivery revenue requirement, as adjusted for changes in unbundled revenues from RY 1 to RY 2. The total RY 2 delivery rate increase was divided by the RY 2 total delivery revenues at RY 1 rates to determine the overall average delivery rate percentage increase for RY 2.

The overall average delivery rate increase and delivery rate percentage increase for RY3 were determined in a similar manner.

For the second and third Rate Years, all classes were assigned the average percentage rate increase.

3. **Unbundled Charges**

Con Edison will continue to unbundle the following charges:

A. **Merchant Function Charge**

1. The Merchant Function Charge ("MFC") which is applicable to firm full service customers consists of the following components:

- Supply-Related Component – This component will change each Rate Year in accordance with the rate design targets shown in Table 2.
- Credit and Collections/Theft ("C&C") Component – This component changes each Rate Year based upon the rate design targets shown in Table 2 for total C&C costs. Any C&C charges related to gas transportation customers whose ESCOs participate in the Company's Purchase of Receivables program ("POR"), will be included in the POR discount rate, based upon the rate design target given in Table 2 for total C&C costs. The allocation of the C&C rate design target between the MFC and the POR discount rate will be determined prior to Rate Years 2 and 3 based upon the most recent information available.
- Uncollectible Accounts Expense ("UBs") associated with supply – This component changes each month in the manner described below.
- Gas in Storage Working Capital – This component will change each Rate Year.

2. Separate MFC charges will continue to be established for SC 1, SC 2 Heating, SC 2 Non-Heating SC 3, and SC 13. For the Supply-Related component and for the C&C component, different unit costs will be set for residential and for non-residential classes. At the end of each rate year, the supply-related and C&C components of the MFC will be trued up to the Rate Year design targets and any reconciliation amount will be included in the subsequent year's calculation of the MFC. The charge for UBs associated with supply will continue to be based upon actual supply costs for each month included in the Company's monthly Gas Cost Factor ("GCF"). The UBs associated with supply costs will be included in the MFC. Separate UB factors will be calculated for each of the three GCF groupings and will reflect the overall uncollectible rate of 0.79%, with uncollectible rates of 1.06% for residential customers and 0.56% for non-residential customers. Gas in Storage Working Capital costs will continue to be recovered through two components, a supply-related component assessed on firm full service customers through the MFC and a reliability/balancing-related component assessed on all firm customers through the MRA. The allocation between full service and all customers

will be such that the volumetric rate, in cents per therm for the supply-related component will be the same as the volumetric rate for the reliability/balancing-related component. Both components will be based on known actual costs during the 12 month period from October through September and an estimate of costs not yet incurred during that period. At the end of each Rate Year, the Gas in Storage Working Capital included in the MFC and MRA will be trued-up to actual costs incurred for the rate year, using the methodology discussed in the Gas in Storage section of this Joint Proposal and the difference included in the subsequent year's calculation. For the rate year effective October 1, 2010, the unit rate to be established in the MFC and the MRA will be based upon the 12 month period ended September 2010, including any required estimates.

B. **Billing and Payment Processing Charge**

The Billing and Payment Processing ("BPP") Charge for gas will be set at $1.04 for single service gas customers who purchase both their commodity and delivery from the Company and for retail access customers receiving separate bills from the Company and the ESCO. Dual service customers will pay no more than $0.52 for gas BPP. Table 2 provides the rate design targets for BPP for each Rate Year.

C. **Transition Adjustment for Competitive Services**

The Transition Adjustment for Competitive Services ("TACS") reconciles (1) actual revenues received through the C&C component of the POR discount rate with the amount reflected in the discount rate, and (2) any BPP lost revenue attributable to customers migrating to retail access and being billed for their gas use through an ESCO consolidated bill. The reconciliation in (1) above will be calculated using the Rate Year design target in Table 2 for C&C POR for Rate Year 1, and will be based on an allocation of the total C&C costs from Table 2 for Rate Years 2 and 3.

The TACS applies to firm full service customers and to firm transportation customers and will continue to be assessed through the MRA. The TACS will be recovered at the same cents per therm rate from all firm customers.

3. **<u>Rate Design Within The Service Classes</u>**

A summary of the proposed delivery rates resulting from the rate design described below is shown on Table 4.

A. The minimum charges (the charge for the delivery of the first three therms or less) in all three Rate Years for SC 1, SC 2 Heating, SC 2 Non-Heating, and SC 3, and for the corresponding SC 9 rates, are being increased to better reflect the Company's cost to provide service. For SC 1, the minimum charges for RY 1, RY 2 and RY 3 are being set at $16.80, $17.70 and $18.60, respectively. For SC 3, the minimum charges are being set at $16.80, $18.60 and $20.40, respectively. The SC 13 and corresponding SC 9 minimum charges, which are designed to collect minimum charges over seven months as opposed to twelve months, are being increased accordingly.

B. For SC 1 and the corresponding SC 9 rates, the remaining revenue increase assigned to that class in all three Rate Years, after allocating a portion of the revenue increase to the minimum charge, was assigned to the over 3 therm block. For SC 3 and the corresponding SC 9 rates, the remaining revenue increase assigned to that class in all three Rate Years, after allocating a portion of the revenue increase to the minimum charge, was assigned to the remaining blocks on an equal percentage basis, except that the RY 1 tailblock rate of $0.4062 per therm will not change from the rates effective October 1, 2009.

C. For SC 2 Heating and SC 2 Non-Heating, the remaining revenue increase assigned to those classes in all three Rate Years, after allocating a portion of the revenue increase to the minimum charge, was assigned to the remaining blocks on an equal percentage basis.

D. For SC 13, for each Rate Year, the remaining blocks were decreased to offset a negative revenue increase remaining after assigning the revenue increase to the SC 13 minimum charge. The air-conditioning rates within SC 2 and SC 3 were set equal to the proposed block rates in SC 13 consistent with past practice.

E. The rates for Riders G and I are being set using the same relationship that exists between SC 2 delivery rates and Riders G and I rates today.

F. No increase was allocated to SC 14, and bypass customers taking firm service under contract rates. However distributed generation rates under Riders H and J are being increased by the average rate increase allowed for their applicable non-distributed generation classes for each Rate Year.

G. New low income rates were set for eligible low income customers in SC 1 and SC 3. SC 1 low income customers will receive a reduction of $1.50 off their minimum charge while SC 3 low income customers will receive a reduction of $0.3833 per therm in their 4-90 therm block. Rates were increased to all other customers in the SC 1, SC 2 Heat, SC 2 Non-Heat, SC 3 and SC 13 classes to account for the rate reductions.

4. **Low Income Reconciliation**

An annual reconciliation of the low income program will be done through the MRA to the extent of any variations in low income discounts, and to the extent of any costs incurred in connection with arrears forgiveness and reconnection fees. In particular, a low income reconciliation adjustment will be included in the MRA applicable to all firm customers encompassing the following:

- Any difference between actual rate reductions and target rate reductions of approximately $6.4 million in each rate year;
- Any costs incurred by the Company as part of any arrears forgiveness program adopted by the Company for low income customers; and
- Any reconnection fees waived by the Company.

The low income reconciliation adjustment to be included in the MRA for any rate year will be on a cents per therm basis and will be the total of the three elements described above, in the prior rate year (including estimates for September) divided by the estimated firm sales and transportation therms for the upcoming rate year. The low income reconciliation adjustments will become effective on October 1, 2011, October 1, 2012 and October 1, 2013, each for a twelve-month period.

5. **Balancing Services (Load Following)**

Effective October 1, 2010, the Company is eliminating the Daily Delivery Service balancing options as well as the Daily Cashout Service balancing option for firm transportation customers. Only the Load Following Service balancing option will be available to firm transportation customers. Balancing charges to firm transportation customers are currently billed separately on the firm transportation bill. For firm sales customers, the costs associated with balancing are currently included in the Company's Gas Cost Factor ("GCF"). Effective October 1, 2010, costs to firm sales customers associated with balancing will be no longer be collected through the GCF, and balancing charges paid by firm transportation customers will no longer be billed separately. Instead all customers will pay a load following charge which will be recovered through the MRA applicable to all firm customers. The charge included in the MRA will be the same for all firm customers, and will be calculated based upon the estimated cost of load following assets during each annual period from November to October, and the estimated deliveries to all firm customers during that annual period, except as noted below . The load following charge may change periodically as the estimated annual cost of load following assets changes.

The unitized load following charge will include a reconciliation component that will be changed effective each November and will include any under or over recovery from the prior annual period. The under or over recovery will be based on the actual cost of the load following assets during the previous annual period compared to the actual amount (including estimates for October) collected from customers during the same period for load following. An interim rate will be established for the month of October 2010. The initial reconciliation period will cover 13 months, i.e., from October 2010 through October 2011.

Consolidated Edison Company of New York Inc.
Case 09-G-0795
Rate Year Billing Determinants

	Rate Year 1	Rate Year 2	Rate Year 3
Service Classification 1			
Annual Bills	6,183,962	6,038,520	5,913,078
Therms 0-3	12,362,344	12,121,779	11,881,214
Therms >3	24,929,626	24,411,267	23,892,907
Total Annual Sales Volumes (Therms)	37,291,970	36,533,046	35,774,121
Service Classification 1 - Low Income			
Bills	1,764,650	1,764,650	1,764,650
Therms 0-3	3,539,154	3,539,154	3,539,154
Therms >3	7,136,979	7,136,979	7,136,979
Total Annual Sales Volumes (Therms)	10,676,133	10,676,133	10,676,133
Service Classification 2 Heating			
Annual Bills	752,496	758,606	764,364
Therms 0-3	2,101,679	2,126,984	2,136,046
Therms 3-90	42,294,276	42,894,043	43,130,776
Therms 90-3000	166,076,055	165,194,835	165,759,238
Therms >3000	73,768,211	77,322,303	79,467,814
Total Annual Sales Volumes (Therms)	284,240,221	287,538,165	290,493,874
Service Classification 2 Heating - Air Conditioning			
Therms 0-1200	196,097	196,097	196,097
Therms >1200	1,833,903	1,833,903	1,833,903
Total Annual Sales Volumes (Therms)	2,030,000	2,030,000	2,030,000
Service Classification 2 Heating - Economic Development Zone			
Annual Bills	1,070	1,070	1,070
Therms 0-3	2,571	2,571	2,571
Therms 3-90	59,153	59,153	59,153
Therms 90-250	84,385	84,385	84,385
Therms 250-3000	515,723	515,723	515,723
Therms >3000	838,168	838,168	838,168
Total Annual Sales Volumes (Therms)	1,500,000	1,500,000	1,500,000
Service Classification 2 Non-Heating			
Annual Bills	742,883	749,306	755,750
Therms 0-3	2,086,385	2,104,907	2,123,899
Therms 3-90	31,048,997	31,486,220	31,929,322
Therms 90-3000	106,745,301	105,856,855	106,975,445
Therms >3000	30,993,179	35,106,550	37,433,913
Total Annual Sales Volumes (Therms)	170,873,862	174,554,532	178,462,579
Service Classification 2 Non-Heating - Air Conditioning			
Therms 0-1200	104,307	104,307	104,307
Therms >1200	1,985,693	1,985,693	1,985,693
Total Annual Sales Volumes (Therms)	2,090,000	2,090,000	2,090,000
Service Classification 2 Non-Heating - Economic Development Zone			
Annual Bills	145	145	145
Therms 0-3	425	425	425
Therms 3-90	12,298	12,298	12,298
Therms 90-250	20,960	20,960	20,960
Therms 250-3000	254,030	254,030	254,030
Therms >3000	802,287	802,287	802,287
Total Annual Sales Volumes (Therms)	1,090,000	1,090,000	1,090,000
Service Classification 3 (1 to 4 Housing Units)			
Annual Bills	2,956,682	3,018,256	3,080,550
Therms 0-3	8,793,690	9,020,006	9,188,698
Therms 3-90	151,858,708	154,645,016	155,918,243
Therms 90-3000	136,436,580	135,900,293	133,762,334
Therms >3000	685,795	677,470	661,816
Total Annual Sales Volumes (Therms)	297,774,973	300,242,787	299,511,091
Service Classification 3 (1 to 4 Housing Units) - Low Income			
Annual Bills	243,400	243,400	243,400
Therms 0-3	566,844	566,844	566,844
Therms 3-90	9,868,304	9,868,304	9,868,304
Therms 90-3000	7,372,636	7,372,636	7,372,636
Therms >3000	51,212	51,212	51,212
Total Annual Sales Volumes (Therms)	17,858,996	17,858,996	17,858,996
Service Classification 3 (1 to 4 Housing Units) - Air Conditioning			
Therms 0-1200	-	-	-
Therms >1200	-	-	-
Total Annual Sales Volumes (Therms)	-	-	-
Service Classification 3 (More than 4 Housing Units)			
Annual Bills	186,138	189,432	192,726
Therms 0-3	542,939	555,417	563,003
Therms 3-90	14,635,504	14,988,348	15,207,540
Therms 90-3000	142,838,182	146,431,015	148,644,970
Therms >3000	128,965,068	130,720,199	130,066,226
Total Annual Sales Volumes (Therms)	286,981,673	292,694,979	294,701,739
Service Classification 3 (More than 4 Housing Units) - Low Income			
Annual Bills	109	109	109
Therms 0-3	331	331	331
Therms 3-90	7,670	7,670	7,670
Therms 90-3000	12,898	12,898	12,898
Therms >3000	-	-	-
Total Annual Sales Volumes (Therms)	20,899	20,899	20,899
Service Classification 3 (More than 4 Housing Units) - Air Conditioning			
Therms 0-1200	40,846	40,846	40,846
Therms >1200	169,154	169,154	169,154
Total Annual Sales Volumes (Therms)	210,000	210,000	210,000
Service Classification 13			
Annual Bills	4,782	5,112	5,442
Therms 0-3	10,590	11,321	12,052
Therms3-1200	687,499	734,955	782,411
Therms >1200	426,206	455,626	485,046
Total Annual Sales Volumes (Therms)	1,124,295	1,201,902	1,279,509
Service Classification 2 - Commercial Distributed Generation			
Total Annual Sales Volumes (Therms)	47,650,000	47,650,000	47,650,000
Service Classification 2 - Non-Heating			
Firm Bypass	15,920,000	15,920,000	15,920,000
Service Classification 14			
Total Annual Sales Volumes (Therms)	120,000	120,000	120,000
Summary of Sales Volumes			
Service Classification 1 Sales Volumes (Therms)	47,968,103	47,209,179	46,450,254
Service Classification 2 Non-Heating Sales Volumes (Therms)	174,053,862	177,734,532	181,642,579
Service Classification 2 Heating Sales Volumes (Therms)	287,770,221	291,068,165	294,023,874
Service Classification 2 DG Volumes (Therms)	47,650,000	47,650,000	47,650,000
Service Classification 2 Contract Volumes (Therms)	15,920,000	15,920,000	15,920,000
Service Classification 3 Sales Volumes (Therms)	602,846,541	611,027,661	612,302,725
Service Classification 13 Sales Volumes (Therms)	1,124,295	1,201,902	1,279,509
Service Classification 14 Sales Volumes (Therms)	120,000	120,000	120,000
Total Annual Sales Volumes (Therms)	**1,177,453,022**	**1,191,931,439**	**1,199,388,941**

APPENDIX H
TABLE 2

Consolidated Edison Company of New York Inc.
Case 09-G-0795
Rate Design Targets

	Firm Rates	Supply MFC	C&C MFC	C&C POR	C&C Total	BPP	Non-Competitive
Current Rates	$ 749,880,421						
Rate Year 1 Increase	$ 47,138,000						
Less Taxes	$ (1,371,752)						
Rate Year 1	**$ 795,646,669**	**$ 8,105,000**	**$ 8,460,580**	**$ 3,120,420**	**$ 11,581,000**	**$ 7,079,177**	**$ 768,881,492**
Rate Rounding	$ 665						
Growth Rate Year 2	$ 5,555,000						
Less Taxes	$ (161,655)						
Rate Year 2 Increase	$ 47,924,000						
Less Taxes	$ (1,394,625)						
Rate Year 2	**$ 847,570,054**	**$ 8,634,000**	TBD	TBD	**$ 12,338,000**	**$ 7,033,555**	**$ 819,564,499**
Rate Rounding	$ (16,655)						
Growth Rate Year 3	$ 2,349,000						
Less Taxes	$ (68,358)						
Rate Year 3 Increase	$ 46,663,000						
Less Taxes	$ (1,357,929)						
Rate Year 3	**$ 895,139,113**	**$ 9,120,000**	TBD	TBD	**$ 13,032,000**	**$ 7,026,688**	**$ 865,960,424**

Appendix H
Table 3

Consolidated Edison Company of New York Inc.
Case 09-G-0795
Rate Design Revenue Allocation

DETERMINATION OF RATE INCREASE FOR THE PERIOD OCTOBER 1, 2010 TO SEPTEMBER 30, 2011

Service Class	TIME 9/30/11 @ Current Rates	Deficiency/ (Surplus)	Realigned RY1 at Current Rates	Low Income Adjustment RY1	RY 1 Increase	Total	MFC	POR	B&P	Non-Competitive Delivery Revenue	Non-Competitive Delivery Increase	Competitive Increase/ (Decrease)	Total Delivery Increase	Percent Increase Delivery
SC 1	$ 153,533,905.39	$ -	$ 153,533,905.39	$ (1,327,371.17)	$ 9,388,871.48	$ 161,595,405.70	$ 1,325,897.06	$ 135,423.67	$ 4,379,200.56	$ 155,754,884.41	$ 8,104,533.17	$ 287,863.65	$ 8,392,396.82	5.47%
SC 2 R1 - Non Heat	$ 81,614,607.09	$ (1,090,196.16)	$ 80,524,410.93	$ 692,096.78	$ 4,924,211.00	$ 86,140,718.71	$ 1,145,469.23	$ 539,055.98	$ 410,396.00	$ 84,045,797.50	$ 4,241,101.99	$ 84,863.74	$ 4,325,965.73	5.30%
SC 2 R1 - NH DG	$ 4,687,406.61	$ (62,613.70)	$ 4,624,792.91	$ 39,749.49	$ 282,814.31	$ 4,947,356.71	$ 45,142.58	$ 220,312.92	$ 336.00	$ 4,681,565.21	$ 195,315.58	$ 53,139.46	$ 248,455.04	5.30%
SC 2 R2 - Heat	$ 137,177,190.30	$ -	$ 137,177,190.30	$ 1,179,020.01	$ 8,388,629.25	$ 146,744,839.56	$ 2,764,251.06	$ 513,002.23	$ 416,216.08	$ 143,051,370.19	$ 9,298,771.63	$ (72,076.47)	$ 9,226,695.16	6.73%
SC 3	$ 371,002,601.07	$ 1,158,000.00	$ 372,160,601.07	$ (586,790.00)	$ 22,758,276.81	$ 394,331,987.88	$ 11,267,912.71	$ 1,712,625.69	$ 1,870,366.96	$ 379,481,082.52	$ 25,140,961.43	$ (1,588,819.24)	$ 23,552,142.19	6.35%
SC 13	$ 388,546.65	$ (5,190.14)	$ 383,355.51	$ 3,294.89	$ 23,442.87	$ 410,093.27	$ 16,906.87	$ -	$ 2,640.96	$ 390,545.44	$ 21,840.35	$ (1,245.57)	$ 20,594.78	5.30%
Subtotal	$ 748,404,156.11	$ -	$ 748,404,156.11	$ -	$ 45,766,245.72	$ 794,170,401.83	$ 16,565,679.51	$ 3,120,420.49	$ 7,079,156.56	$ 767,405,245.27	$ 47,002,524.15	$ (1,236,274.43)	$ 45,766,249.72	6.12%
SC 14	$ 198,998.40	$ -	$ 198,998.40	$ -	$ -	$ 198,998.40	$ -	$ -	$ -	$ 198,998.40	$ -	$ -	$ -	0.00%
Firm Bypass	$ 1,277,266.44	$ -	$ 1,277,266.44	$ -	$ 2.52	$ 1,277,268.96	$ -	$ -	$ 20.16	$ 1,277,248.80	$ -	$ 2.52	$ 2.52	0.00%
Total	$ 749,880,420.95	$ -	$ 749,880,420.95	$ -	$ 45,766,248.24	$ 795,646,669.19	$ 16,565,579.51	$ 3,120,420.49	$ 7,079,176.72	$ 768,881,492.47	$ 47,002,524.15	$ (1,236,271.91)	$ 45,766,252.24	6.10%

DETERMINATION OF RATE INCREASE FOR THE PERIOD OCTOBER 1, 2011 TO SEPTEMBER 30, 2012

Service Class	TIME 9/30/12 @ RY1 Rates	Reverse RY1Low Income	Realigned RY2 at Current Rates	Low Income Adjustment RY2	RY 2 Increase	Total	MFC	POR	B&P	Non-Competitive Delivery Revenue	Non-Competitive Delivery Increase	Competitive Increase/ (Decrease)	Total Delivery Increase	Percent Increase Delivery
SC 1	$ 158,961,312.14	$ 1,327,371.17	$ 160,288,683.31	$ (1,357,495.86)	$ 9,323,624.99	$ 168,264,812.44	$ 1,375,614.76	$ 140,472.74	$ 4,298,139.44	$ 162,440,585.50	$ 9,200,537.96	$ 92,962.34	$ 9,293,500.30	5.85%
SC 2 R1 - Non Heat	$ 87,291,769.96	$ (692,096.78)	$ 86,599,673.18	$ 696,670.97	$ 5,037,304.32	$ 92,333,648.47	$ 1,228,859.73	$ 577,255.84	$ 412,812.40	$ 90,114,720.50	$ 4,931,116.11	$ 110,762.40	$ 5,041,878.51	5.78%
SC 2 R1 - NH DG	$ 4,943,312.61	$ (39,749.49)	$ 4,903,563.12	$ 39,447.84	$ 285,229.02	$ 5,228,239.98	$ 47,426.07	$ 231,541.18	$ 336.00	$ 4,948,936.73	$ 267,813.30	$ 17,114.07	$ 284,927.37	5.76%
SC 2 R2 - Heat	$ 147,959,694.76	$ (1,179,020.01)	$ 146,780,674.75	$ 1,180,810.86	$ 8,537,895.12	$ 156,499,380.73	$ 2,937,359.30	$ 545,306.11	$ 418,444.32	$ 152,598,271.00	$ 8,326,131.07	$ 213,554.90	$ 8,539,685.97	5.77%
SC 3	$ 399,989,600.93	$ 586,790.00	$ 400,576,390.93	$ (562,932.02)	$ 23,300,609.71	$ 423,314,068.62	$ 12,039,562.07	$ 1,829,614.05	$ 1,900,987.20	$ 407,543,905.30	$ 22,474,025.03	$ 850,442.66	$ 23,324,467.69	5.83%
SC 13	$ 438,139.21	$ (3,294.89)	$ 434,844.32	$ 3,498.21	$ 25,293.90	$ 463,636.43	$ 18,988.15	$ -	$ 2,815.68	$ 441,832.60	$ 24,333.59	$ 1,163.63	$ 25,497.22	5.82%
Subtotal	$ 799,583,829.61	$ -	$ 799,583,829.61		$ 46,509,957.06	$ 846,093,786.67	$ 17,647,810.08	$ 3,324,189.92	$ 7,033,535.04	$ 818,088,251.63	$ 45,223,957.06	$ 1,286,000.00	$ 46,509,957.06	5.82%
SC 14	$ 198,998.40	$ -	$ 198,998.40	$ -	$ -	$ 198,998.40	$ -	$ -	$ -	$ 198,998.40	$ -	$ -	$ -	0.00%
Firm Bypass	$ 1,277,268.96	$ -	$ 1,277,268.96	$ -	$ -	$ 1,277,268.96	$ -	$ -	$ 20.16	$ 1,277,248.80	$ -	$ -	$ -	0.00%
Total	$ 801,060,096.97	$ -	$ 801,060,096.97	$ -	$ 46,509,957.06	$ 847,570,054.03	$ 17,647,810.08	$ 3,324,189.92	$ 7,033,555.20	$ 819,564,498.83	$ 45,223,957.06	$ 1,286,000.00	$ 46,509,957.06	5.81%

DETERMINATION OF RATE INCREASE FOR THE PERIOD OCTOBER 1, 2012 TO SEPTEMBER 30, 2013

Service Class	TIME 9/30/13 @ RY2 Rates	Reverse RY2 Low Income	Realigned RY3 at Current Rates	Low Income Adjustment RY3	RY 3 Increase	Total	MFC	POR	B&P	Non-Competitive Delivery Revenue	Non-Competitive Delivery Increase	Competitive Increase/ (Decrease)	Total Delivery Increase	Percent Increase Delivery
SC 1	$ 165,508,165.93	$ 1,357,495.86	$ 166,865,661.79	$ (1,381,796.04)	$ 8,906,543.66	$ 174,390,409.41	$ 1,429,229.35	$ 145,955.38	$ 4,240,630.24	$ 168,574,594.44	$ 8,798,334.30	$ 83,909.18	$ 8,882,243.48	5.37%
SC 2 R1 - Non Heat	$ 93,851,209.80	$ (696,670.97)	$ 93,154,538.83	$ 706,299.68	$ 4,972,173.18	$ 98,833,011.69	$ 1,308,934.12	$ 613,599.37	$ 417,502.40	$ 96,492,975.80	$ 4,879,396.92	$ 102,404.97	$ 4,981,801.89	5.31%
SC 2 R1 - NH DG	$ 5,223,431.82	$ (39,447.84)	$ 5,183,983.98	$ 39,305.08	$ 276,697.91	$ 5,499,986.97	$ 49,429.56	$ 241,365.75	$ 336.00	$ 5,208,855.66	$ 261,068.40	$ 15,486.75	$ 276,555.15	5.29%
SC 2 R2 - Heat	$ 157,749,790.49	$ (1,180,810.86)	$ 156,568,979.63	$ 1,187,109.30	$ 8,356,952.76	$ 166,113,041.69	$ 3,092,534.77	$ 574,137.32	$ 422,771.44	$ 162,023,598.16	$ 8,167,932.97	$ 195,318.23	$ 8,363,251.20	5.30%
SC 3	$ 425,554,196.87	$ 562,932.02	$ 426,117,128.89	$ (554,631.78)	$ 22,744,228.94	$ 448,306,726.05	$ 12,739,707.67	$ 1,936,038.54	$ 1,942,422.72	$ 431,688,557.12	$ 21,970,770.77	$ 781,758.41	$ 22,752,529.18	5.35%
SC 13	$ 493,310.13	$ (3,498.21)	$ 489,811.92	$ 3,713.76	$ 26,143.97	$ 519,669.65	$ 21,068.17	$ -	$ 3,005.52	$ 495,595.96	$ 25,237.06	$ 1,122.46	$ 26,359.52	5.34%
Subtotal	$ 848,380,105.04	$ -	$ 848,380,105.04	$ -	$ 45,282,740.42	$ 893,662,845.46	$ 18,640,903.64	$ 3,511,096.36	$ 7,026,668.32	$ 864,484,177.14	$ 44,102,740.42	$ 1,180,000.00	$ 45,282,740.42	5.34%
SC 14	$ 198,998.40	$ -	$ 198,998.40	$ -	$ -	$ 198,998.40	$ -	$ -	$ -	$ 198,998.40	$ -	$ -	$ -	0.00%
Firm Bypass	$ 1,277,268.96	$ -	$ 1,277,268.96	$ -	$ -	$ 1,277,268.96	$ -	$ -	$ 20.16	$ 1,277,248.80	$ -	$ -	$ -	0.00%
Total	$ 849,856,372.40	$ -	$ 849,856,372.40	$ -	$ 45,282,740.42	$ 895,139,112.82	$ 18,640,903.64	$ 3,511,096.36	$ 7,026,688.48	$ 865,960,424.34	$ 44,102,740.42	$ 1,180,000.00	$ 45,282,740.42	5.33%

Notes:
1 For RY1 Percent increase is 6.115178%
2 For RY2 Percent increase is 5.816771%
3 For RY3 Percent increase is 5.337553%

APPENDIX H
TABLE 4

Consolidated Edison Company of New York
Case 09-G-0795
Summary of Rates

		Rate Year 1 (10/1/2010 to 09/30/2011)	Rate Year 2 (10/1/2011 to 09/30/2012)	Rate Year 3 (10/1/2012 to 09/30/2013)
SC 1 and Rate SC9 Rate (A1)				
First 3 Therms (or less)		$ 16.80	$ 17.70	$ 18.60
Over 3 Therms	per therm	$ 0.7859	$ 0.8549	$ 0.9158
SC 1 Low Income and SC9 Rate (A1)				
First 3 Therms (or less)		$ 15.30	$ 16.20	$ 17.10
Over 3 Therms	per therm	$ 0.7859	$ 0.8549	$ 0.9158
SC2 Rate I and SC 9 Rate (A2)				
First 3 Therms (or less)		$ 23.10	$ 26.25	$ 30.45
Next 87 Therms	per therm	$ 0.6154	$ 0.6389	$ 0.6543
Next 2,910 Therms	per therm	$ 0.3689	$ 0.3830	$ 0.3923
Over 3,000 Therms	per therm	$ 0.2541	$ 0.2638	$ 0.2702
SC 2 Rate II and SC 9 Rate (A4)				
First 3 Therms (or less)		$ 23.10	$ 26.25	$ 30.45
Next 87 Therms	per therm	$ 0.6434	$ 0.6736	$ 0.6987
Next 2,910 Therms	per therm	$ 0.4520	$ 0.4732	$ 0.4908
Over 3,000 Therms	per therm	$ 0.3073	$ 0.3217	$ 0.3337
SC 2 Rate I and II and SC 9 Rate (A7) (A/C)				
First 1,200 Therms	per therm	$ 0.1912	$ 0.1883	$ 0.1767
Over 1,200 Therms	per therm	$ 0.1636	$ 0.1611	$ 0.1511
SC 2 Rate I Riders G & I and SC 9 Rate (A3)				
First 3 Therms (or less)		$ 23.10	$ 26.25	$ 30.45
Next 87 Therms	per therm	$ 0.6154	$ 0.6389	$ 0.6543
Next 160 Therms	per therm	$ 0.3689	$ 0.3830	$ 0.3923
Next 2,750 Therms	per therm	$ 0.2418	$ 0.2511	$ 0.2572
Over 3,000 Therms	per therm	$ 0.1271	$ 0.1319	$ 0.1351
SC 2 Rate II Riders G & I and SC 9 Rate (A5)				
First 3 Therms (or less)		$ 23.10	$ 26.25	$ 30.45
Next 87 Therms	per therm	$ 0.6434	$ 0.6736	$ 0.6987
Next 160 Therms	per therm	$ 0.4520	$ 0.4732	$ 0.4908
Next 2,750 Therms	per therm	$ 0.2983	$ 0.3123	$ 0.3239
Over 3,000 Therms	per therm	$ 0.1537	$ 0.1609	$ 0.1669
SC 3 and SC 9 Rate (A6)				
First 3 Therms (or less)		$ 16.80	$ 18.60	$ 20.40
Next 87 Therms	per therm	$ 0.6939	$ 0.7280	$ 0.7607
Next 2,910 Therms	per therm	$ 0.5277	$ 0.5536	$ 0.5785
Over 3,000 Therms	per therm	$ 0.4062	$ 0.4262	$ 0.4454
SC 3 Low Income and SC 9 Rate (A6)				
First 3 Therms (or less)		$ 16.80	$ 18.60	$ 20.40
Next 87 Therms	per therm	$ 0.3106	$ 0.3447	$ 0.3774
Next 2,910 Therms	per therm	$ 0.5277	$ 0.5536	$ 0.5785
Over 3,000 Therms	per therm	$ 0.4062	$ 0.4262	$ 0.4454
SC 3 and SC 9 Rate (A7) (A/C)				
First 1,200 Therms	per therm	$ 0.1912	$ 0.1883	$ 0.1767
Over 1,200 Therms	per therm	$ 0.1636	$ 0.1611	$ 0.1511
SC 13 and SC 9 Rate (A8)				
First 3 Therms (or less)		$ 39.60	$ 45.00	$ 52.20
Next 1,197 Therms	per therm	$ 0.1912	$ 0.1883	$ 0.1767
Over 1,200 Therms	per therm	$ 0.1636	$ 0.1611	$ 0.1511
SC 2 Rates I and II - Rider H and SC 9 Rate (A9)				
First 3 Therms (or less) <= 0.25 MW		$ 133.20	$ 140.70	$ 148.20
First 3 Therms (or less) 0.25 > & <= 1 MW		$ 181.80	$ 192.30	$ 202.50
First 3 Therms (or less) 1 > & <= 3 MW		$ 362.10	$ 382.80	$ 402.90
First 3 Therms (or less) 3 > & <= 5 MW		$ 482.40	$ 510.00	$ 537.00
Over 3 Therms Summer	per therm	$ 0.1608	$ 0.1700	$ 0.1790
Over 3 Therms Winter	per therm	$ 0.2011	$ 0.2126	$ 0.2238
First 3 Therms (or less) 5 > & <= 50 MW		$ 72.90	$ 77.10	$ 81.30
Contract Demand Charge Per Therm		$ 27.81	$ 29.40	$ 30.95
Over 3 Therms Summer	per therm	$ 0.0321	$ 0.0339	$ 0.0357
Over 3 Therms Winter	per therm	$ 0.0403	$ 0.0426	$ 0.0448
SC 1 - Rider J and SC9 Rate (A10)				
First 3 Therms (or less)		$ 17.08	$ 18.06	$ 19.06
Over 3 Therms	per therm	$ 0.2756	$ 0.2914	$ 0.3075
SC 3 - Rider J - < 4 Dwelling Units and SC9 Rate (A10)				
First 3 Therms (or less)		$ 32.76	$ 34.60	$ 36.45
Over 3 Therms	per therm	$ 0.2799	$ 0.2956	$ 0.3114
SC 3 - Rider J - >= 4 Dwelling Units and SC9 Rate (A10)				
First 3 Therms (or less) < 50 KW		$ 37.06	$ 39.14	$ 41.24
First 3 Therms (or less) 50 KW> & <= 250 KW		$ 68.58	$ 72.43	$ 76.31
First 3 Therms (or less) 250 KW>		$ 143.45	$ 151.50	$ 159.62
Next 87 Therms (Summer)	per therm	$ 0.4414	$ 0.4662	$ 0.4912
Next 2,910 Therms (Summer)	per therm	$ 0.2606	$ 0.2752	$ 0.2900
Over 3,000 Therms (Summer)	per therm	$ 0.1674	$ 0.1768	$ 0.1863
Next 87 Therms (Winter)	per therm	$ 0.5037	$ 0.5320	$ 0.5605
Next 2,910 Therms (Winter)	per therm	$ 0.3000	$ 0.3168	$ 0.3338
Over 3,000 Therms (Winter)	per therm	$ 0.2064	$ 0.2180	$ 0.2297

Revenue Decoupling Mechanism

The revenue decoupling mechanism ("RDM") will continue to be based on a revenue per customer ("RPC") methodology for customer groups that are included in the RDM.

RPC Methodology:

Under the RPC methodology, Actual Delivery Revenue is compared, on a Rate Year basis, with Allowed Delivery Revenue, which is equal to the product of the average number of customers in the Rate Year and the Rate Year RPC Target for each customer group subject to the RDM. For RDM purposes one customer equals 360 days of service and is measured by the number of annual bills in a Rate Year where one bill equals 30 days of service ("Bill").[1]

Applicability:

The RDM will apply to the following customer groups, including all customers taking service under SC No. 9 that would otherwise take service under such group:

- SC No. 2 –Rate 1;
- SC No. 2 –Rate 2;
- SC No. 3 customers with 1-4 dwelling units; and
- SC No. 3 customers with more than 4 dwelling units.

The groups will also include: (1) customers taking service under Rider G (Economic Development Zone); (2) all gas volumes associated with customers receiving air conditioning service under SC Nos. 2 and 3; and (3) SC No. 3 customers participating in the Low Income Program described in Section VI.B of the Proposal. The groups will exclude: (1) customers who take service under Rider H (Distributed Generation Rate), Rider I (Gas Manufacturing Incentive Rate) and Rider J (Residential Distributed Generation Rate); (2) customers receiving service under a firm by-pass rate; and (3) until gas base delivery rates are changed by Commission order, customers who convert to firm gas service based on a change in law, rule or regulation, directly or indirectly, adversely affecting the use of No. 4 or No. 6 oil as is explained in Section II.I.2 of the Proposal.

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[1] For RDM purposes, the annual number of bills in a Rate Year recognizes equivalent 30-day bills and that customers on average receive bills covering more than 30 days of service in a month and more than 360 days of service in each Rate Year. The definition of customer for RDM purposes does not reflect the actual number of customers subject to the RDM.

Actual Delivery Revenue:

For the purposes of the RDM, Actual Delivery Revenue, determined for each customer group, will be calculated as the sum of revenue derived from the base tariff rates applicable to SC Nos. 2 and 3, and from the associated SC No. 9 firm transportation tariff rates, and Weather Normalization Adjustment ("WNA") credits or surcharges. Actual Delivery Revenue will not include revenue derived from the RDM Adjustment described below.

SC No. 3 Actual Delivery Revenue will be adjusted to add back the computed cost of the rate discounts provided to low income customers based on actual therms delivered to low income customers in the two SC No. 3 customer groups. This adjustment will be the same as reported in the annual low income program reconciliation for these low income groups.

Actual Delivery Revenue in the first month of each Rate Year will be adjusted upward to reverse the effect of proration between old and new rates in the actual revenues. The Adjusted Actual Delivery Revenue for the first month for each customer group will be calculated as follows:

1. Any WNA credits or surcharges will be subtracted from Actual Delivery Revenue.
2. The resulting Actual Delivery Revenue will be reduced by the product of the number of Bills for the first month multiplied by the average of the old and new minimum charges (Factor 1).
3. The resulting reduced Actual Delivery Revenue will be increased by multiplying it by the ratio of one plus the percentage increase in the volumetric rates divided by one plus half of the percentage increase in the volumetric rate (Factor 2).
4. The resulting increased Actual Delivery Revenue will be increased by the product of the number of Bills for the first month multiplied by the new minimum charge (Factor 3).
5. The WNA credits subtracted in step 1 above will be added back, resulting in Adjusted Actual Delivery Revenue.

Table 1 provides Factors 1 through 3 for the four RDM customer groups for each Rate Year. The factors in Table 1 and this proration mechanism will not apply beyond Rate Year 3.

RPC Targets:

The RPC Target for each customer group will be set for each Rate Year at 12 times the average Delivery Revenue per Bill, as shown in Table 2. The average Delivery Revenue per Bill is calculated by dividing the total Rate Year Delivery Revenues (revenue derived from the base rates applicable to SC Nos. 2 and 3, and from the corresponding SC No. 9 firm transportation rates) by the number of Bills in the Rate Year.

The RY1 Bills for the RPC Targets will be based on the forecasted Rate Year number of Bills used to set RY1 rates, as shown below:

SC No. 2 – Rate 1	743,028
SC No. 2 – Rate 2	753,566
SC3 customers with 1-4 dwelling units	3,200,082
SC3 customers with more than 4 dwelling units	186,247

The RY2 and RY3 Bills for the RPC Targets will be based on the total actual number of Bills for the 12 months ended July preceding the start of each Rate Year, adjusted to recognize potential customer growth between the mid-point of the 12 months ended July preceding the start of the Rate Year and the mid point of the Rate Year. The adjustments, by customer group, are shown below.

	RY2	RY3
SC No. 2 – Rate 1	7,739	7,764
SC No. 2 – Rate 2	7,362	6,938
SC No. 3 customers with 1-4 dwelling units	74,191	75,058
SC No. 3 customers with more than 4 dwelling units	3,969	3,971

The Delivery Revenues, by customer class, that will be used to calculate the RPC Targets are shown below. For SC No. 3, the Delivery Revenues shown below are computed assuming all low income customers are billed at full rates.

	RY1	RY2	RY3
SC No. 2 – Rate 1	$84,048,706	$90,118,948	$96,497,932
SC No. 2 – Rate 2	$143,051,248	$152,587,768	$162,017,414
SC No. 3 customers with 1-4 dwelling units	$242,171,352	$260,059,067	$275,886,685
SC No. 3 customers with more than 4 dwelling units	$141,093,446	$151,261,805	$159,595,543

The RPC Targets for RY1 for each customer group are shown below.

SC No. 2 – Rate 1	$1,357.40
SC No. 2 – Rate 2	$2,277.99
SC3 customers with 1-4 dwelling units	$908.12
SC3 customers with more than 4 dwelling units	$9,090.73

RDM Adjustment:

For each customer group subject to the RDM, the Company will, at the end of each Rate Year, compare Actual Delivery Revenue to the Allowed Delivery Revenue. To the extent that the Actual Delivery Revenue varies from he Allowed Delivery Revenue, the excess or shortfall will be refunded to or collected from customers through customer group-specific RDM Adjustments over an eleven-month period commencing in the second month following the end of each Rate Year.

The customer group-specific RDM Adjustments will be determined on a cents per therm basis by dividing the total revenue excess/shortfall for each customer group by the forecasted therm deliveries of the associated customer group for the period in which the RDM Adjustment is to be in effect.

Beginning with the first month following the end of each Rate Year, interest at the Other Customer Provided Capital Rate will be calculated for each month on the average of the current and prior month's cumulative revenue over- or under-collection (net of state and federal taxes) and will be included along with the over- or under-collection charged or credited to customers.

Interim RDM Adjustment:

The Company may implement an Interim RDM Adjustment whenever the Company determines that such a surcharge or credit adjustment is necessary to avoid a large over- or under-collection, based on the Company's projection for the Rate Year of forthcoming RDM reconciliation balances. At least two weeks prior to the Company's implementing an Interim RDM Adjustment, the Company will provide Staff work papers underlying such surcharge or credit adjustment in order to afford Staff an opportunity to raise with the Company any concerns that Staff has with the size and/or timing of the surcharge or credit adjustment.[2] Any Interim RDM Adjustment will be determined based on a 12-month recovery period. Revenues associated with Interim RDM Adjustments will be included in the annual RDM reconciliation.

Partial Year RDM:

If the Company does not file for new base delivery rates to take effect within fifteen days after the expiration of RY3, the RDM will be implemented as follows. Prior to the start of RY3, the Company will provide, along with the RY3 annual RPC targets, the monthly RPC targets associated with the RY3 annual RPC targets. To the extent the stay-out period beyond RY3 is less than 12 months, these monthly RPC targets will be used to implement the RDM in the stay-out period. The provisions of the calculation of the annual true-up on a full-year basis would also apply to any partial year, that is, the monthly RPC targets for the months of the partial year period would be summed, and then multiplied by the average monthly number of Bills for the partial year period to derive the partial year period Allowed Delivery Revenue. This Allowed Delivery Revenue would be compared to the Actual Delivery Revenue for the partial year period

[2] The Company will provide to interested parties, upon request, a copy of any such work papers after the filing is made.

to determine any excess or shortfall. During the term of the Gas Rate Plan, the Company will continue to provide to the Director of the Office of Electric, Gas and Water monthly data on actual bills and revenues unless and until changed by Commission order.

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
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Table 1

Revenue Decoupling Mechansim
Proration Adjustment Factors
Applicable to the First Month of Each Rate Year

	Rate Year 1		
Customer Group	Factor 1	Factor 2	Factor 3
SC 2 Rate 1	21.575	1.01501	23.100
SC 2 Rate 2	21.580	1.02869	23.100
SC 3 1-4 Dwelling Units	16.090	1.04191	16.800
SC 3 5+ Dwelling Units	16.090	1.02567	16.800

	Rate Year 2		
Customer Group	Factor 1	Factor 2	Factor 3
SC 2 Rate 1	24.675	1.01861	26.250
SC 2 Rate 2	24.675	1.02283	26.250
SC 3 1-4 Dwelling Units	17.700	1.02397	18.600
SC 3 5+ Dwelling Units	17.700	1.02398	18.600

	Rate Year 3		
Customer Group	Factor 1	Factor 2	Factor 3
SC 2 Rate 1	28.350	1.01177	30.450
SC 2 Rate 2	28.350	1.01816	30.450
SC 3 1-4 Dwelling Units	19.500	1.02198	20.400
SC 3 5+ Dwelling Units	19.500	1.02199	20.400

Notes:

a) SC 2 does not include EDZ discounts added back in.
b) SC 3 includes Low Income discounts added back in.
c) Weather Normalization Adjustment revenues shall not be prorated

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
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Table 2

Revenue Decoupling Mechansim
Revenue Per Customer Factors

RPC Factors

Rate Year 1 TME September 30, 2011

		SC 2 Rate 1	SC 2 Rate 2	SC 3 1-4	SC 3 5+
Delivery Revenues	(1)	$84,048,706	$143,051,248	$242,171,352	$141,093,446
Regular Bills	(2)	742,883	752,496	2,956,682	186,138
EDZ or LI Bills	(3)	145	1,070	243,400	109
Total Bills	(4) = (2) + (3)	743,028	753,566	3,200,082	186,247
Delivery Revenues per Bill	(5) = (1) / (4)	$113.12	$189.83	$75.68	$757.56
RPC Factor	**(6) = 12 * (5)**	**$1,357.40**	**$2,277.99**	**$908.12**	**$9,090.73**

Rate Year 2 TME September 30, 2012

		SC 2 Rate 1	SC 2 Rate 2	SC 3 1-4	SC 3 5+
Delivery Revenues	(1)	$90,118,948	$152,587,768	$260,059,067	$151,261,805
Total Bills TME July 2011	(2)	TBD	TBD	TBD	TBD
Growth to Rate Year	(3)	7,739	7,362	74,191	3,969
Total Bills	(4) = (2) + (3)	TBD	TBD	TBD	TBD
Delivery Revenues per Bill	(5) = (1) / (4)	TBD	TBD	TBD	TBD
RPC Factor	**(6) = 12 * (5)**	**TBD**	**TBD**	**TBD**	**TBD**

Rate Year 3 TME September 30, 2013

		SC 2 Rate 1	SC 2 Rate 2	SC 3 1-4	SC 3 5+
Delivery Revenues	(1)	$96,497,932	$162,017,414	$275,886,685	$159,595,543
Total Bills TME July 2012	(2)	TBD	TBD	TBD	TBD
Growth to Rate Year	(3)	7,764	6,938	75,058	3,971
Total Bills	(4) = (2) + (3)	TBD	TBD	TBD	TBD
Delivery Revenues per Bill	(5) = (1) / (4)	TBD	TBD	TBD	TBD
RPC Factor	**(6) = 12 * (5)**	**TBD**	**TBD**	**TBD**	**TBD**

Consolidated Edison Company of New York, Inc.
Gas 09-G-0795
Summary of Gas Capital Expenditures

	6 Mo Ending				12 Mo Ending			
	Forecast	Actual	Variance		Forecast	Actual	Variance	
	$	$	$	%	$	$	$	%
Operating Areas								
New Business								
System Reinforcement								
Meters								
Total GD-1								
GD-3 Leaking Services								
GD-4 Corroded Steel Mains								
GD-5 Cathodic Protection								
GD-11 Small Diameter LPCI Replacement Program								
GD-29 Steel Main Replacement For 2" Coupling Elimination								
GD-30 CISBOT								
Total Operating Areas								
Supply Mains								
Annual Repl of Supply Mains from Hawthorne to Peekskill (Albany)								
Annual Repl of Supply Mains from Greenburgh to Hawthorne								
Annual Replacement of Supply Mains from Hawthorne to Katonah								
Bronx Hospital Supply Main Ties								
Replace Corroded Union Tpke Mains								
Replace Saw Mill Elmsford Main								
Houston St Manifold Replacement								
Replace Saw Mill Greenburgh Main								
Roosevelt Island Shaft								
81th Street Eastside Regulator								
Upgrade Regulator 419								
Eastside Lower Manhattan Reconstruction Project								
24" West Bronx High Pressure Main								
Replacement of the Astoria- Flushing Main								
Second Supply Main to City Island								
Ossining IP System								
Westchester Creek MP Main Replacement								
Waterbury Ave & Hobart Ave Regulator Station								
Westchester Ave Main Replacement								
12" Medium Pressure Cast Iron Main Replacement Program								
New Main Across Grand Central Parkway (RC08)								
Small Main Ties Program (RC08)								
Cortlandt / Yorktown Tie								
Second Supply to Roosevelt Island (RC08)								
Grasslands Rd Upgrade(RC08)								
Harlem River to 205 St (RC08)								
Harlem River Crossing								
205 St Regulator								
Westchester Inner / Outer Loop (RC08)								
Westside Manhattan Loop & Regulator (RC08)								
Waters Place Tie								
Purchase / Armonk HP Tie								
Fort Washington HP Main								
Scarsdale HP Main								
Hurricane Flood Walls								
East Bronx HP Loop Ties								
Cortlandt / Peekskill Tie								
Sunnyside Yards								
Yorktown Upgrade								
Westchester Large Valve Repl								
Hudson RR Yards								
Queens Pressure Reduction								
179 St & Webster Ave Reg								
Total Supply Mains								
Technical Operations								
Measurement								
LNG								
LERP								
Tunnels								
Total Technical Operations								
Transmission & Generation Projects								
Westchester/Bronx Border to White Plains (RC08)								
Transmission Pipeline Integrity Main Replacement Program								
Hunts Point to He, gate (Outlet To St Ann's Tee)								
Remotely Operating Valves (ROV's)								
Hunt's Point Gate Upgrade								
Astoria to Ravenswood Loop								
Total Transmission & Generation Projects								
Pressure Control								
Special Projects								
GOSS Control Center Network PI Upgrade								
CENTS Rewrite (RC08)								
Data Warehouse								
GIS Technology Upgrades (RC08)								
Distribution Integrity Data Integration (RC08)								
Expand GIS for Gas Control ROV's (RC08)								
Expand GIS for Drips & Red Tags								
Computer Dispatch-Time Cards								
Expand GIS for Corrosion (RC08)								
Mauell Screens								
Hurricane Hardening								
Mapping System Upgrades (RC08)								
Adams								
Total Special Projects								
Sub-total of Gas Capital								
Public Improvement / Interference								
Federal Stimulus Interference								
Water Tunnel #3								
Total Interference								
#4/#6 oil-to-gas conversions								
Total Gas Operations Excluding T&G Credits & XM's								

Consolidated Edison Company of New York, Inc.
Gas 09-G-0795

Variance over 10% explanation

	6 Mo. Ending ______		12 Mo. Ending ______	
	Variance %	Reason for Variance	Variance %	Reason for Variance
Projects with Variance over 10%				
Project A				
Project B				
Project C				

continued as needed

Consolidated Edison Company of New York, Inc.
Gas 09-G-0795

Appendix J
Form 3 of 5

New Capital Projects exceeding $0.5 million *

New Capital Projects over $0.5 million

In the form of a White Paper to include timeframe, details and justification of project.

* Refers to those projects not included in capital budget filed in Case 09-G-0795

Consolidated Edison Company of New York, Inc.
Gas 09-G-0795

Interference related to Federal Stimulus and Water Tunnel #3

	6 Mo. Ending ________		12 Mo. Ending ________	
	Actual $	Explanation of Work	Actual $	Explanation of Work
Interference Work related to:				
Federal Stimulus				
Water Tunnel #3 Project				

Consolidated Edison Company of New York, Inc.
Gas 09-G-0795

#4/#6 oil-to-gas conversions

	6 Mo. Ending ______		12 Mo. Ending ______	
	Actual $	Explanation of Work	Actual $	Explanation of Work
Total #4/#6 oil-to gas conversions				

Appendix K

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

Case No. 09-G-0795
GAS LOST AND UNACCOUNTED FOR

SAMPLE CALCULATION OF LINE LOSS BENEFIT / (COST)

	Losses Below Band	Losses In Band	Losses Above Band
1. Total Distribution Sendout (Dth)	145,870,000	146,500,000	148,000,000
2. Customer Metered Volumes (Dth)	145,000,000	145,000,000	145,000,000
3. Actual Line Loss Factor (LLF) [1 - (Line 2 / Line 1)]	0.596%	1.024%	2.027%
4. Actual Factor of Adjustment (FOA) [1 / (1 - Line 3)]	1.00600	1.01034	1.02069
5. Net Adjusted Commodity Cost of Gas	$700,000,000	$700,000,000	$700,000,000
6. LLF Upon Which Fixed FOA is Based	1.315%	1.315%	1.315%
7. Fixed FOA [1 / (1 - Line 6)]	1.0133	1.0133	1.0133
8. Upper Limit of Deadband (LLF) [Line 6 + 0.005]	1.815%	1.815%	1.815%
9. Upper Limit of Deadband (FOA) [1 / (1 - Line 8)]	1.0185	1.0185	1.0185
10. Lower Limit of Deadband (LLF) [Line 6 - 0.005]	0.815%	0.815%	0.815%
11. Lower Limit of Deadband (FOA) [1 / (1 - Line 10)]	1.0082	1.0082	1.0082
12. Company Benefit/(Cost)*	$1,530,815	$0	($1,501,689)

* A cost is subtracted from the gas costs to be recovered from gas sales customers and a benefit is added to the gas costs to be recovered from gas sales customers.

If the Actual LLF is less than Upper Limit of Deadband LLF and greater than Lower Limit of Deadband LLF, Benefit/(Cost) is zero.

If the Actual LLF is greater than Upper Limit of Deadband LLF, Cost is:
Line 5 * (Line 9 / Line 4 - 1)

If the Actual LLF is less than Lower Limit of Deadband LLF, Benefit is:
Line 5 * (Line 11 / Line 4 - 1)