

STATE OF NEW YORK

Public Service Commission

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PSC Votes to Approve Consolidated Edison Gas and Steam Rate Plans

**– Plans Limit Increases, Provide for Maintenance and Expansion of
Delivery Facilities, Create Consumer Benefit Programs –**

Syracuse, NY – 9/22/04 – The New York State Public Service Commission today voted to approve the terms of multi-year rate plans for Consolidated Edison Company of New York, Inc.'s (Consolidated Edison) gas delivery and steam services. The plans, scheduled to become effective on October 1, were developed by a number of parties, received widespread support – including from the City of New York – and significantly reduce by over \$150 million the delivery rate increases originally requested.

"We commend the participants in the review of Consolidated Edison's rate requests for developing plans that greatly limit customer bill impacts while at the same time providing sufficient revenues for the company to maintain and expand its gas and steam infrastructure to better serve customers," Chairman William M. Flynn stated. "The plans also require Consolidated Edison to establish a number of consumer-oriented programs that will benefit customers well into the future, including programs designed to enhance consumer choices to obtain gas supplies."

The rate plans include provisions that will provide greater opportunity for customers to share in any company excess earnings, establish a task force and program to develop strategies for expanding steam service, promote additional retail competition in the gas supply market, establish a gas-efficiency program, create a rate discount program for low-income gas customers, and adjust rates downward when the company does not meet gas system safety targets. The last rate change for Consolidated Edison gas customers was a \$25 million decrease in 2002, while prior to that the last change was an increase in 1995. The company last implemented a steam rate change, a \$16.6 million increase, in 2000.

The new Steam Business Development Task Force to be established by Consolidated Edison will coordinate, where appropriate, the company's economic development efforts related

to steam service with those of New York City and the state, especially for redevelopment efforts in lower Manhattan. In addition, the company will establish a number of new programs to help encourage customers to consider gas supply offerings from competing suppliers. The goal of the new consumer gas-efficiency program is to provide customers valuable information concerning energy costs and opportunities through currently available technologies to achieve efficiencies in gas usage to help consumers save on their monthly bills.

The plans were supported by the City of New York, New York State Department of Public Service staff, the Public Utility Law Project of New York, Inc., Natural Resources Defense Council, Pace Law School Energy Project, Association for Energy Affordability, Consumer Power Advocates, New York Energy Buyers Forum, Owners' Committee on Electric Rates, Small Customer Marketer Coalition, and Consolidated Edison, among others. The Commission held three public statement hearings – two in New York City and one in Westchester – in addition to seeking public comments through the Commission's toll-free Opinion line and Web site and by regular mail.

In its initial November 2003 filing, Consolidated Edison proposed to increase base delivery rates for gas service by \$107.5 million, with the provision to expand to a three-year rate plan that would have included \$30.6 million and \$36 million increases in the second and third years, respectively, for a three-year total of \$174.1 million. Under the plan approved today, a much smaller increase in delivery rates, totaling \$46.8 million, or about 27percent of the company's original increase requested, will take effect in October 2004 and remain frozen at that level for the next three years.

Together with other changes, the gas delivery rate change will result in system-wide average customer bill increases of about 7.5percent (assuming that gas costs remain steady). The delivery service portion of a customer's bill appears separately from the cost of the gas itself, often referred to as the "commodity price." The plan adopted today does not affect the commodity price of the natural gas, which was deregulated by Congress beginning in 1978 and is determined by market forces, not the Commission or local utilities.

In addition to the gas delivery rate changes, Consolidated Edison had originally requested a two-year steam base rate increase that would have raised rates by \$90.9 million in the first year and \$10.9 million in the second year (\$101.8 total), offset by savings from the company's East River Repowering Project (ERRP) to produce a net increase request of about \$65 million. Under the terms of the plan approved today, base rate increases for steam will be phased in over a two-year period – \$49.6 million and \$27.4 million in the first and second years, respectively – but their impacts on customers effectively will be reduced to about \$20 million each year after accounting for the ERRP savings.

The Commission will issue a written Order detailing its approval of the terms of the Consolidated Edison gas delivery service and steam service rate plans. The Order, when available, can be obtained from the Commission's Web site at **<http://www.dps.state.ny.us>** by accessing the Commission Documents section of the homepage and referencing Case numbers 03-G-1671 and 03-S-1672. Many libraries offer free Internet access. Commission orders also can be obtained from the Files Office, 14th floor, 3 Empire State Plaza, Albany, NY 12223 (518-474-2500).