



Consolidated Edison Company
of New York, Inc.
4 Irving Place
New York, NY 10003-0987

May 15, 2013

Via electronic mail

Honorable Jeffrey C. Cohen
Acting Secretary
State of New York
Public Service Commission
Three Empire State Plaza
Albany, NY 12223-1350

Re: PSC Case No. 09-E-0428 - Proceeding on Motion of the Commission as to the Rates,
Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for
Electric Service

Dear Acting Secretary Cohen:

Pursuant to the New York Public Service Commission's Order establishing the Electric Rate Plan for Consolidated Edison Company of New York, Inc. ("Order"), issued March 26, 2010 in the above-referenced proceeding, Consolidated Edison Company of New York, Inc. ("CECONY" or the "Company") hereby submits for filing the electric earnings report for Rate Year 3 ("RY3"), i.e., the twelve months ended March 31, 2013, as well as the cumulative earnings report for Rate Year 2 ("RY2"), i.e., the twelve months ended March 31, 2012, and RY3.

If the level of earnings exceeds a common equity return of 10.65% for RY2 and RY3 on a cumulative basis, the Order (p.15) provides for a portion of the earnings to be deferred for the benefit of customers.

As set forth in Attachment 1 to this letter, CECONY's earned rate of return on electric common equity capital for RY3 was 9.40% and was 9.58% cumulatively over RY2 and RY3. Since the Company's actual operating results on a cumulative basis for RY2 and RY3 were below the earnings sharing threshold of 10.65 percent, there are no shared earnings to be allocated between CECONY's customers and shareholders.

If you or any members of your staff have any questions regarding this report, please call me at (212) 460-2884 or Richard Kane at (212) 460-6634.

Respectfully submitted,

/s/ Joseph Miller
Assistant Controller

Attachment

c: *Via electronic mail*
Active Parties, Doris Stout, John Scherer, Kevin Higgins, Michael Summa, Claude Daniel

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
 CALCULATION OF RETURN ON COMMON EQUITY
 PER THE 2010 ELECTRIC SETTLEMENT AGREEMENT
TWELVE MONTHS ENDED MARCH 31, 2013
 (THOUSANDS OF DOLLARS)

	<u>12 Months Ended March 31,</u>		<u>Rate Year 2&3</u>
	<u>2012</u>	<u>2013</u>	<u>Total</u>
OPERATING INCOME (ADJUSTED)	\$ 1,189,532	\$ 1,177,633	\$ 2,367,165 (A)
AVERAGE RATE BASE	\$ 15,875,859	\$ 16,235,240	\$ 32,111,099 (B)
RATE OF RETURN ON RATE BASE	7.49%	7.25%	7.37%
RATE OF RETURN ON COMMON EQUITY	9.74%	9.40%	9.58% (C)
RATE OF RETURN ON COMMON EQUITY - SHARING THRESHOLD	10.65%	10.65%	10.65%

NOTES:

(A) Please refer to Attachment 2 for the calculation of the adjusted operating income. Please note the reported operating income for the twelve months ended March 31, 2012 submitted last year showed operating income of \$1.198 billion and an earned Return on Equity of 9.84%. The amounts reported were not adjusted to eliminate an incentive the Company earned as a result of the property tax true-up mechanism. After eliminating the incentive, equivalent to \$7.9 million (net of income taxes), operating income was reduced from \$1.198 billion to \$1.190 billion and the return on common equity decreased from 9.84% to 9.74%.

(B) See Attachment 3

(C) See Attachment 4

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
ELECTRIC OPERATING INCOME
TWELVE MONTHS ENDED MARCH 31, 2013
(THOUSANDS OF DOLLARS)

	12 Months Ended March 31,		Rate Year 2&3
	2012	2013	Total
TOTAL OPERATING REVENUES	\$ 8,364,836	\$ 8,284,201	\$ 16,649,037
PRODUCTION EXPENSES	2,599,676	2,302,864	4,902,540
TRANSMISSION & DISTRIBUTION EXPENSES	625,614	637,197	1,262,811
CUST. ACCTS., CUST. SERVICE AND ADMIN. & GENERAL EXPENSES	1,385,892	1,640,358	3,026,250
TOTAL OPERATING EXPENSES	4,611,182	4,580,419	9,191,601
DEPRECIATION	668,158	720,423	1,388,581
TAXES, OTHER THAN INCOME TAXES	1,451,828	1,390,644	2,842,472
TOTAL OPERATING EXPENSES BEFORE INCOME TAXES	6,731,168	6,691,486	13,422,654
OPERATING INCOME BEFORE INCOME TAXES	1,633,668	1,592,715	3,226,383
FEDERAL INCOME TAX	337,179	343,657	680,836
STATE INCOME TAX	92,877	63,568	156,445
OPERATING INCOME AFTER INCOME TAXES - PER BOOKS	1,203,612	1,185,490	2,389,102
<u>ADJUSTMENTS TO OPERATING INCOME, NET OF INCOME TAX:</u>			
NYS GRT EXCESS DIVIDEND TAX REFUND - INCENTIVE	\$ (6,375)	\$ -	\$ (6,375)
REVERSAL OF ACCRUED EEPS REVENUE ADJUSTMENT	(3,588)	-	(3,588)
2011 ELECTRIC CAIDI REVENUE ADJUSTMENT	3,032	-	3,032
EXCESS LIABILITY INSURANCE ADJUSTMENT (CASE 08-S-0153)	873	72	945
RETENTION OF PROPERTY TAX REFUND - INCENTIVE	(112)	(19)	(131)
RETENTION OF PROPERTY TAX TRUE-UP - INCENTIVE	(7,910)	(7,910)	(15,820)
	(14,080)	(7,857)	(21,937)
ADJUSTED OPERATING INCOME AFTER INCOME TAXES	\$ 1,189,532	\$ 1,177,633	\$ 2,367,165

(a) See Attachment 5 for explanations of each adjustment.

State tax rate = 7.1%, federal tax rate = 35%, overall effective rate = 39.625%

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

AVERAGE ELECTRIC RATE BASE
TWELVE MONTHS ENDED MARCH 31, 2013
 (THOUSANDS OF DOLLARS)

	12 Months Ended March 31,		Rate Year 2&3
	2012	2013	Total
Utility plant:			
Average Book Cost of Plant	\$ 21,053,371	\$22,390,680	\$ 43,444,051
Non-Interest Bearing CWIP	777,908	654,615	1,432,523
Average Accumulated Depreciation	(4,455,413)	(4,812,810)	(9,268,223)
Net utility plant	17,375,866	18,232,485	35,608,351
Rate base additions:			
Working Capital	728,472	847,254	1,575,726
Excess Rate Base Over Capitalization	315,462	(21,387)	294,075
Unamortized Debt Discount/Premium/Expense	125,097	118,391	243,488
Deferred Fuel - Net of Income Taxes	33,016	92,585	125,601
Unbilled Revenues*	91,578	91,574	183,152
Preferred Stock Expense	3,324	22,023	25,347
MTA Surtax - Net of Income Taxes	14,948	4,863	19,811
Unamortized Balance - Hudson Farragut	369	20	389
Early Retirement Termination Benefit (1999) - Net of Tax	5,200	-	5,200
F.I.T. Interest Net of Tax	1,958	484	2,442
Preliminary Survey and Investigation Costs	2,898	2,190	5,088
Demand Side Management Programs	562	285	847
ERRP Maintenance Reserve	1,478	14,154	15,632
Reactive Power	973	1,705	2,678
Rate base additions	1,325,335	1,174,141	2,499,476
Rate base deductions:			
Balance to Fund Temporary Surcharge	-	(41,012)	(41,012)
Amounts Billed In Advance of Construction - Net of Tax	(4,456)	(6,218)	(10,674)
Customer Advances for Construction	(16,499)	(15,202)	(31,701)
Customer Advances for Construction - 59th Street Gen. Station	(6,146)	(16,848)	(22,994)
DC Service Incentive - Net of Tax	(603)	(601)	(1,204)
COGEN Technologies - Reimb. For O&M - Net of Tax	(463)	(484)	(947)
Deferred Proceeds from Sale / Appropriation of Property	(27,893)	3,875	(24,018)
CATV Pole Attachment Revenue - Net of Tax	(583)	(407)	(990)
Local Law 11 & Deferred Maintenance Accruals	(488)	(488)	(976)
RGGI Emissions Allowances/ NYSEDA Accruals	(1,694)	-	(1,694)
Recoverable fuel charge - Net of Tax	(172)	-	(172)
3-Yr Recovery of East River 6 Generator Rewind 08-E-0539	(188)	(593)	(781)
Rate base deductions	(59,185)	(77,978)	(137,163)
Regulatory assets & liabilities (net of income taxes):			
SIR Deferral	117,078	95,446	212,524
Electric Rate Case Deferrals (09-E-0428)	59,453	46,726	106,179
Business Incentive Rate - Revenue Shortfall	62	43	105
Emergency Demand Response/Reduction Programs	83	100	183
Regulatory deferrals	176,676	142,315	318,991
Accumulated deferred income taxes			
ADR / ACRS / MACRS Deductions	(2,376,632)	(2,585,195)	(4,961,827)
Change of Accounting Section 263A	(316,975)	(332,646)	(649,621)
Vested Vacation	15,609	(1,556)	14,053
Prepaid Insurance Expenses	(4,053)	306	(3,747)
Unbilled Revenues	109,380	66,594	175,974
Contributions In Aid of Construction	19,054	24,376	43,430
Capitalized Interest	11,476	10,939	22,415
Repair & Maintenance Allowance	2,969	2,969	5,938
Fin 48 - Disallowed SSCM	(36,285)	(14,636)	(50,921)
MTA	(23,902)	(16,751)	(40,653)
Amortization of Computer Software	(59,367)	(71,050)	(130,417)
Call Premium	(19,576)	(14,607)	(34,183)
Deferred S.I.T./F.I.T. - Brownfield Credits	(8,355)	(7,607)	(15,962)
Nuclear Expenses/Westinghouse Discounts/Other	797	1,538	2,335
Deferred S.I.T.	(256,973)	(298,397)	(555,370)
Accumulated deferred income taxes	(2,942,833)	(3,235,723)	(6,178,556)
Total Rate Base	\$ 15,875,859	\$ 16,235,240	32,111,099

Notes:

* - Balance would include deferred purchased power

Demand Side Management Program

Real Time Pricing Program - Net of Tax	54	8
Day Ahead Reduction Program - Net of Tax	68	78
Voluntary Load Reduction Program - Net of Tax	180	101
Direct Load Control Program - Net of Tax	260	98
	562	285

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
AVERAGE CAPITALIZATION FOR THE
TWELVE MONTHS ENDED MARCH 31, 2013
(MILLIONS OF DOLLARS)

12 Months Ended March 31, 2013	<u>AMOUNT</u>	<u>PERCENT</u>	<u>WEIGHTED COST</u>	<u>RATE OF RETURN</u>
LONG-TERM DEBT	\$ 10,060.9	48.59%	5.20%	2.53%
PREFERRED STOCK	0.0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	294.7	1.41%	1.39%	0.02%
SUB-TOTAL	10,355.6	50.00%		2.55%
COMMON EQUITY	10,525.7	50.00%	9.40%	4.70%
TOTAL	\$ 20,881.3	100.00%		7.25%

12 Months Ended March 31, 2012	<u>AMOUNT</u>	<u>PERCENT</u>	<u>WEIGHTED COST</u>	<u>RATE OF RETURN</u>
LONG-TERM DEBT	\$ 9,777.6	47.72%	5.34%	2.55%
PREFERRED STOCK	203.7	0.99%	5.57%	0.06%
CUSTOMER DEPOSITS	288.1	1.41%	1.62%	0.02%
SUB-TOTAL	10,269.4	50.12%		2.63%
COMMON EQUITY	10,221.8	49.88%	9.74%	4.86%
TOTAL	\$ 20,491.2	100.00%		7.49%

24 Months Ended March 31, 2012	<u>AMOUNT</u>	<u>PERCENT</u>	<u>WEIGHTED COST</u>	<u>RATE OF RETURN</u>
LONG-TERM DEBT	\$ 9,919.3	48.10%	5.27%	2.53%
PREFERRED STOCK	101.9	0.49%	5.57%	0.03%
CUSTOMER DEPOSITS	291.4	1.41%	1.50%	0.02%
SUB-TOTAL	10,312.5	50.00%		2.58%
COMMON EQUITY	10,373.8	50.00%	9.58%	4.79%
TOTAL	\$ 20,686.3	100.00%		7.37%

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
ADJUSTMENTS TO OPERATING INCOME

DESCRIPTION OF ADJUSTMENT

NYS GRT EXCESS DIVIDEND TAX REFUND

Pursuant to the Commission May 19, 2011 Order in the Case 10-E-0308, the Company was allowed to retain a portion of the NYS GRT/Excess dividend tax refund. Refer to Attachment 6 for the adjustment for the twelve months ended March 31, 2012.

REVERSAL OF ACCRUED EEPS REVENUE ADJUSTMENT

Pursuant to the Commission December 21, 2010 Order in the Energy Efficiency Portfolio Standards proceeding, revenue adjustments may be incurred if the Company is unable to meet certain program targets. In December 2010, the Company reserved \$6 million in anticipation that it would not meet the targets set forth in the 2010 Order. The Commission clarified the application and measurement of the EEPS targets in its March 2012 Order. As a result, the Company reversed the adjustment accrued in the prior year. Refer to Attachment 6 for the adjustment for the twelve months ended March 31, 2012.

ELECTRIC CAIDI PENALTY

Per the Joint Proposal adopted by the Commission in the Case 09-E-0428, if the Company Customer Average Interruption Duration Index (CAIDI) is greater than 3 hours for 15% of its customers, the Company would be required to pay a penalty in the amount of \$5M. Refer to Attachment 6 for the adjustment for the twelve months ended March 31, 2012.

EXCESS LIABILITY INSURANCE

Pursuant to the Joint Proposal dated August 14, 2008 in the Case 08-S-0153, the Company may not recover from ratepayers \$2 million of its insurance premiums for excess liability insurance annually for policies covering the period beginning April 28, 2010 and ending April 27, 2011 and the period beginning April 28, 2011 and ending April 27, 2012. Refer to Attachment 6 for the adjustments for the twelve months ended March 31, 2012 and twelve months ended March 31, 2013.

RETENTION OF PROPERTY TAX REFUND - INCENTIVE

defer property tax refunds allocated to the electric business that were not reflected in the Electric Rate Plan for future disposition. The Company was also allowed to retain 14 percent of the refund or credit. Refer to Attachment 6 for the adjustments for the twelve months ended March 31, 2012 and twelve months ended March 31, 2013.

RETENTION OF PROPERTY TAX TRUE-UP - INCENTIVE

Pursuant to the Joint Proposal adopted by the Commission in Case 09-E-0428, the Company is at risk for +/- 20% of any variation between actual property tax expense and the allowance reflected in rates up to a 10 basis point cap. Refer to Attachment 6 for the adjustments for the twelve months ended March 31, 2012 and twelve months ended March 31, 2013.

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
ADJUSTMENTS TO OPERATING INCOME
(THOUSANDS OF DOLLARS)

DESCRIPTION OF ADJUSTMENTS	12 Months Ended March 31, 2012 <u>RY 2</u>	12 Months Ended March 31, 2013 <u>RY 3</u>
<u>NYS GRT Excess Dividend Tax Refund</u>		
Before Tax	(10,558)	-
After Tax	(6,375)	-
<u>Reversal of Accrued EEPS Revenue Adjustment</u>		
Before Tax	(5,942)	-
After Tax	(3,588)	-
<u>2011 Electric CAIDI Revenue Adjustment</u>		
Before Tax	5,021	-
After Tax	3,032	-
<u>Excess Liability Insurance Adjustment (Case 08-S-0153)</u>		
Before Tax	1,445	120
After Tax	873	72
<u>Retention of Property Tax Refund - Incentive</u>		
Before Tax	(185)	(31)
After Tax	(112)	(19)
<u>Passback / Retention of Property Tax True-ups Incentive</u>		
Before Tax	(13,100)	(13,100)
After Tax	(7,910)	(7,910)