BEFORE THE STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

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	)	**Case 19-E-0065**
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	)	**Case 19-G-0066**

PETITION FOR REHEARING OF THE PUBLIC SERVICE COMMISSION'S ORDER REGARDING COSTS TO IMPLEMENT CUSTOMER SERVICE SYSTEM

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

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Table of Contents

Preliminary Statement

On May 16, 2024, the Commission denied Con Edison's petition for a temporary accounting treatment related to its new customer service system.[1] The accounting treatment would have allowed Con Edison to temporarily capitalize spending above a cost cap until the Commission could review the spending for prudence. Without this relief, Con Edison explained that it would be forced to expense the spending prematurely—that is, before any Commission review. Con Edison thus sought to avoid an unwarranted adverse impact to its financial condition while preserving the Commission's full authority to review the prudence of spending above the cap.[2]

In denying the petition, the May 16 Order made three principal errors of fact and law that merit granting rehearing.[3]

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1 Cases 19-E-0065 et al., 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 ("2019 Rate Cases"), *Order Regarding Costs to Implement Customer Service System* (issued May 16, 2024) (the "May 16 Order" or the "Order").

2 2019 Rate Cases, *Petition for Authorization to Capitalize, Subject to Commission Review, Incremental Costs to Implement a New Customer Service System* (filed Apr. 28, 2023) (the "Petition"), p. 2 ("Without authority to capitalize these costs, Con Edison would have to expense costs that it incurs above the $421 million cap, in accordance with Generally Accepted Accounting Principles. By authorizing Con Edison to treat these costs as capital investments, subject to further review, the Commission would prevent any premature impact on the Company's financial statements."); *id.*, pp. 15-16 ("Moreover, this accounting treatment is consistent with the 2019 Joint Proposal's provision allowing Con Edison to petition for recovery of costs above the $421 million cap. That provision recognizes that Con Edison may be permitted to recover those costs, subject to further review. Con Edison, however, is not seeking that relief at this time, before the New CSS goes live and the Commission can review the Company's final expenditures. As such, at this time, Con Edison is not seeking to recover these costs. Instead, subject to such further review, Con Edison asks only for relief from the $421 million cap to continue capitalizing these costs for financial accounting purposes. It would be unreasonable for the Commission to acknowledge (as it has) that Con Edison may petition for additional cost recovery and yet also, in effect, put Con Edison in a position where it has to take a charge against earnings before such a petition has ripened. By granting this relief, the Commission would not have to prejudge the outcome of any future petition; it would merely preserve the status quo, for accounting purposes, until it receives such a petition.").

3 A party may seek rehearing "on the grounds that the Commission committed an error of law or fact, or that new circumstances warrant a different determination." 16 NYCRR § 3.7(b). In addition to the three principal errors referred to here, the May 16 Order made additional errors of fact and law, which are identified in the Specification of Errors section and discussed throughout this rehearing petition.

First, the Order incorrectly concluded that the Company knew, when it submitted initial and update testimony in its 2022 rate case, that its costs would exceed the cost cap. And because the Order made this error, it relied on an inapplicable regulation to conclude that Con Edison should have sought relief in the 2022 rate case instead of by petition, as Con Edison had a right to do under the 2020 Rate Order.[4] The Order then compounded that factual error by creating a new, heightened burden of proof to apply to spending above the cap resulting from the increased complexity of the project and found that Con Edison failed to meet that new heightened, burden of proof.

The fact is that Con Edison did not know it would exceed the cap during the testimony phase of the 2022 rate case, so it had no reason or basis for seeking relief there. This may not have been clear to the Commission at the time of the May 16 Order, but it is documented in quarterly reports filed by Con Edison during system implementation. While the Company publicly filed these reports (attached here as Exhibit A) with the Commission under the 2020 Rate Order and mentioned them in its petition, the May 16 Order did not acknowledge them. For this reason, Con Edison draws further attention to them now for Commission consideration. But more fundamentally, Con Edison had no obligation to seek relief in the rate case because the 2020 Rate Order expressly authorized it to file a petition if it spent above the cap. And when pressed by Department of Public Service Staff for more information to support its petition, Con Edison provided details that match or exceed traditional rate case evidence.

Second, the May 16 Order decided the wrong question. The Order evaluated the Company's petition as a request for cost recovery instead of as a request for a temporary

[4] 2019 Rate Cases, *Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plan* (issued Jan. 16, 2020) (the "2020 Rate Order").

accounting treatment.[5] This error diverted the Commission's attention from the fact that "[i]t would be unreasonable for the Commission to acknowledge (as it has) that Con Edison may petition for additional cost recovery and yet also, in effect, put Con Edison in a position where it has to take a charge against earnings before such a petition has ripened."[6] Instead, the Commission addressed an issue—cost recovery—that the Company did not raise. Because of this misstep, the Order never addressed whether the totality of the circumstances justified the proposed temporary accounting treatment. These circumstances include Con Edison pushing back the new customer service system's "go-live" date after communicating closely with Department Staff about the mistakes of another utility's customer service system roll out. The Order's failure to address this question was legal error.

Third, to the extent the Commission determines that whether to grant a temporary accounting treatment is inseparable from the issue of cost recovery, the Order applied the wrong standard of review to evaluate cost recovery. The prudence standard applies here. This standard requires a determination whether a utility's actions were reasonable at the time. But instead, the Order reviewed spending attributable to the increase in project complexity to determine if it would result in a customer service system "that is materially different, from a customer perspective, than what was envisioned when the Commission established the capital expenditure cap," or whether it would "allow the Company to achieve any additional savings or reductions in cost."[7] These two heightened tests are unwarranted departures from the prudence standard.

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[5] May 16 Order, p. 8 ("While Con Edison states that it only requests authorization to continue to capitalize costs associated with implementation of the new CSS at this time, granting such a request would provide authority to exceed the cap and Con Edison would most likely seek our authority to recover the exceedance from ratepayers in a future proceeding.").

[6] Petition, pp. 15-16. Indeed, one of the Order's chief factual errors is its unsupported assertion that a petition for cost recovery had ripened by the time the Company filed testimony in its last electric and gas rate cases. *See* Section I, *infra*.

[7] May 16 Order, p. 14.

Prudence examines the reasonableness of a utility's decision making under the circumstances at the time, which here means whether it was reasonable for Con Edison to exceed the cap to address increases in the project's complexity so that the new customer service system would function successfully; it does not require a showing of new or added benefits. Moreover, as a factual matter, Con Edison's spending *did* result in a materially different system that benefited customers, and the Order was wrong to assert otherwise.

The Order also misapplied the prudence standard with respect to risk mitigation measures. The Order concluded generically that Con Edison's original business plan should have factored in "the costs of measures sufficient to ensure that its customers did not experience any harm or issues related to the transition to the new CSS."[8] But the test under the prudence standard is whether Con Edison acted reasonably to address new information and new concerns that arose while it was undertaking the project, such as the information it learned from observing another utility's experience implementing a new customer service system and the Company's subsequent conversations with Department Staff. And the record is clear that Con Edison did act reasonably.

The Order made a different error with respect to billing exception remediation spending. On that issue, the Order arbitrarily denied recovery because bill exception remediation is "typically" an expense.[9] The Order was required, however, to consider Con Edison's arguments for why the spending at issue here should be treated as capital and either agree or explain why it should not. Its failure to do so was legal error.

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8 *Id.*, p. 15.

9 *Id.*

The Commission should grant rehearing to address these errors. In its order, it should authorize the requested temporary accounting treatment and, given that the system is now in service, direct Con Edison to address the prudency of expenditures above the cap in its next electric and gas rate cases. Alternatively, if the Commission determines it must reach cost recovery in this proceeding, it should grant rehearing and either grant full cost recovery based on the record or set the case for hearing and potential settlement negotiations.

Background

Following years of planning,[10] Con Edison sought funding for a new customer service system in its January 2019 rate filing.[11] The program was to be a joint effort between Con Edison and its corporate affiliate, Orange and Rockland Utilities, Inc., with costs allocated between the two companies.[12] Con Edison based its labor-cost estimates on planning done to identify necessary additions ("extensions") to the off-the-shelf Oracle Customer Care and Billing ("CC&B") system and the integrations the new program would need with other Company and third-party systems.[13] The business plan forecast that the system would go into service in 2023, past the end of the Company's three-year rate plan.[14]

The Commission approved funding for the project in the 2020 Rate Order, subject to a cap and petition mechanism. Con Edison's capital spending was capped at $421 million,[15] but

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10 The background for this petition for rehearing has been substantially covered in Con Edison's underlying petition for permission to capitalize its incremental costs and in the Company's narrative response to Department Staff's information requests. *See* Petition, pp. 4-14 and DPS-1-1, Supplemental 2.

11 The Company filed a business plan as an exhibit to its filing. *See* 2019 Rate Cases, Consolidated Edison Customer Energy Solutions Panel Testimony (filed Jan. 31, 2019), Exhibit___(CES-5) ("New CSS Business Plan").

12 *Id.*, p. 4.

13 DPS-1-1, Supplemental 2, p.2.

14 New CSS Business Plan, p. 4.

15 2020 Rate Order, p. 43.

the Company had the explicit right to petition for cost recovery if its costs exceeded that cap.[16] The cap and petition mechanism did not direct Con Edison to raise cost exceedances that might arise in its next rate case, even though the project would not go into service during the three-year term of the approved rate plan. It also did not qualify or otherwise alter the prudence standard that applies to such requests.

The 2020 Rate Order also required the Company to provide periodic reports on the project's status. These reports were to include a number of detailed quantitative and qualitative metrics, including one called the Cost Performance Index ("CPI") that measured the project's "financial effectiveness and efficiency" by calculating "the amount of completed work for every unit of cost spent."[17] CPI thus measures the extent to which a project is on track from a budget and value creation perspective.

While undertaking the project, the Company found that it required more extensions and integrations than originally identified in its rigorous pre-planning process. This additional scope was due to business and regulatory changes that arose after the Company wrote its business plan in 2018, including regulatory changes resulting from Con Edison's and Orange and Rockland's rate plans approved during the implementation period, changes to payment assistance programs during the Covid-19 pandemic, and the expansion of community distributed generation ("CDG") programs and new regulatory programs like net crediting. In addition, the Company included additional features and functions to support a seamless transition for customers accustomed to the new digital tools that the Company had introduced in the intervening years and to help large commercial customers who increasingly required access to their usage data for energy

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16 *Id.*, *Joint Proposal* (filed Oct. 16, 2019), p. 36 & n.46.

17 *Id.*, App'x 26.

benchmarking purposes. The Company also included functionalities to support innovative safety technologies that emerged during the implementation period, like its new natural gas detectors.[18]

Each of these changes generated a "program change request" subject to review by a change control board composed of vendor and Company leadership. This board evaluated each request individually and for each request could either approve, deny, or defer until after the system went live.[19]

Even with this additional project complexity, Con Edison's forecast in the early years of the project was that it would complete the project within the Commission's cost cap. The Company's publicly filed reports showed that it was managing the project within the forecast budget. In those reports, a CPI above 1.00 indicated that the Company was underspending relative to earned value (i.e., the project was tracking to be under budget), while a CPI below 1.00 indicated that the Company was overspending relative to earned value. In its report for the fourth quarter of 2021, filed in January 2022, the Company reported a CPI of 1.11 for the quarter and 1.07 for the project to date, indicating that "the project continues to underspend against earned value."[20] The following quarter, the Company reported a CPI of 1.08, and its CPI for the overall project ticked up to 1.09, again indicating that project remained under budget.[21] And for the second quarter of 2022, the Company's CPI for the quarter and the project to date both remained above 1.00, indicating that it continued to underspend relative to planned value several months into its rate cases.[22] Indeed, while the CPI slipped just below 1.00 in the third quarter of

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18 DPS-1-1, Supplemental 2, pp. 2-3 & App'x 4-9.

19 *Id.*, p. 3.

20 2019 Rate Case, *CSS Implementation Status Report* (filed Jan. 14, 2022), p. 7.

21 2019 Rate Case, *CSS Implementation Status Report* (filed Apr. 15, 2022), p. 7.

22 2019 Rate Case, *CSS Implementation Status Report* (filed July 15, 2022), p. 7.

2022, Con Edison did not see any significant pressure on its budget until January 17, 2023, when it shared, in its publicly available quarterly report, that its CPI for the project had fallen to 0.91 at the end of 2022.[23]

All the while, Con Edison continued benchmarking its efforts against those of other utilities and learning from their experiences. In particular, ongoing developments surrounding the new customer billing system at Central Hudson Gas & Electric Corp. ("Central Hudson") strongly influenced Con Edison's approach to risk mitigation and program testing.

Central Hudson's new customer billing system went live on September 1, 2021,[24] when Con Edison was in the middle of building its own system. Central Hudson's system reportedly suffered from numerous errors, leading to customer overcharges, delayed bills, and mistakes in processing complex billing transactions, like those involving CDG, energy services companies ("ESCOs"), and net metering.[25] Even so, the full scope of the issues and their root causes were not immediately apparent. The Department of Public Service announced its investigation in March 2022, more than six months after Central Hudson's system went live, and began its investigation the following month.[26] The investigation took more than eight months, culminating in the Department's release of its investigative report and the Commission's order to commence proceeding and show cause in mid-December 2022.[27] That report documented errors related to

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23 2019 Rate Case, *CSS Implementation Status Report* (filed Jan. 17, 2023), p. 8.

24 Case 22-M-0645, In the Matter of an Investigation by the DPS Office of Investigations and Enforcement Into Central Hudson Gas & Electric Corporation's Development and Deployment of Modifications to its Customer Information and Billing System and Resulting Impacts on Billing Accuracy, Timeliness, and Errors ("Central Hudson Proceeding"), *New York State Department of Public Service Investigation Report* (filed Dec. 15, 2022) ("Central Hudson Investigation Report"), p. 13.

25 *See id.*, pp. 14-21.

26 *Id.*, pp. 1-2.

27 *Id.*, p. 2; Central Hudson Proceeding, *Order to Commence Proceeding and Show Cause* (issued Dec. 15, 2022), pp. 2-3.

the system's handling of complex billing arrangements,[28] inadequate staffing and training,[29] and inadequate system testing,[30] among other issues.

Central Hudson's experience—and the resulting increase in public concern over utility billing system implementations—led Con Edison to update its implementation plan in two significant ways, both of which it discussed with Department Staff. First, the Company augmented its planned efforts to mitigate the risks to customers inherent in any customer service system replacement. Many of these efforts focused on increased system testing, especially for complex billing arrangements like those that caused problems at Central Hudson. Among other initiatives, the Company raised its testing standards for parallel bill testing, which compares bills generated in both the old and new systems, above levels that utilities typically achieve; engaged in more testing than planned with ESCOs; and established a separate workstream and testing phase for CDG and Value of Distributed Energy Resources ("VDER") billing.[31] Apart from increased testing, the Company also hired an independent quality assurance consultant to evaluate project performance and procured additional resources to train staff before go-live and support them after go-live.

The second major change resulting from the events at Central Hudson was the Company's effort to bring its backlog of billing exceptions significantly below normal levels. The Company had learned from its benchmarking with Central Hudson that, when a utility transitions from one billing system to another, customers with unresolved billing issues are more likely to experience problems in the new system, and that the unresolved issues become more

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28 *See* Central Hudson Investigation Report, p. 26.

29 *See id.*, pp. 26-34, 39-41.

30 *See id.*, pp. 34-38.

31 DPS-1-1, Supplemental 2, pp. 4-5.

difficult, time consuming, and costly to solve following the transition. Accordingly, the Company brought on external contractor resources to remediate that backlog.

The Company first identified billing exceptions as a potential area for further work in December 2021, though it was not aware at the time that it would contribute to costs eventually exceeding the Commission-imposed cap.[32] Because not all billing exceptions would cause problems if carried into the new system, the Company began investigating in or about June 2022 which particular kinds of billing exceptions it needed extra resources to remediate, and which it could continue to address in the normal course of business. The Company completed this work in or about September or October 2022, at which point it was first able to estimate the potential cost of remediating these classes of billing exceptions.[33] The Company then began bringing on additional resources that fall. While originally intending to use 100 total contract workers onboarded in three waves, the Company eventually found that it needed approximately 170 total contract workers, onboarded in five waves, to address the backlog of relevant billing exceptions. The Company did not complete this hiring and training until February 2023. The Company ultimately achieved a 95 percent reduction in the number of relevant billing exceptions before the system went live, mitigating potential billing impacts for more than 280,000 customers.[34]

As the Company was designing and building its new customer service system, and before even the Department opened its investigation into Central Hudson, the Company filed for new base rates on January 28, 2022. The Company then updated its initial testimony on April 8, 2022, and filed rebuttal testimony in response to Department Staff and other rate case parties on June 17, 2022. As of the end of testimony, the Company was still managing the customer service

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32 DPS-4-2(b).

33 *Id.*

34 DPS-1-1, Supplemental 2, p. 5 & Attachment 12.

system project with project cost estimates within the approved budget cap and on the original project schedule. It did not yet have the benefit of the Department's investigative report into Central Hudson's billing system implementation, nor had it identified the universe of billing exceptions that it would need to remediate before the new system went live.

Con Edison, Department Staff, and signatory parties finalized and filed the Joint Proposal in the Company's rate cases on February 16, 2023, a few weeks after the Company first reported significant budgetary pressure with the new customer service system. That Joint Proposal reiterated that if the Company exceeded the existing cost cap, then it could petition the Commission for cost recovery.[35] In March 2023, while that Joint Proposal was pending, the Company determined that it would delay the go-live date for its new customer service system from May to September 2023 (and again, later, from September to October 2023) to allow more time for testing and to meet its now more stringent go-live criteria.[36] The following month, the Company filed the petition at issue here, for permission to treat the incremental costs of its customer service system as capital expenditures pending further Commission review. The Commission approved the Joint Proposal about three months later.[37]

Con Edison's new customer service system went live in October 2023.[38] The implementation was a great success, as evidenced by the Company's customer service performance metrics exceeding what is typically seen during the stabilization phase of a

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35 Cases 22-E-0064 et al., 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 ("2022 Rate Cases"), *Joint Proposal* (filed Feb. 16, 2023) ("2023 Joint Proposal"), p. 29 & n.36.

36 *See* 2019 Rate Cases, *CSS Implementation Status Report* (filed Apr. 18, 2023), p. 7.

37 *See* 2022 Rate Cases, *Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plans with Additional Requirements* (issued July 20, 2023) ("2023 Rate Order").

38 *See* 2022 Rate Cases, *CSS Implementation Status Report* (filed Oct. 16, 2023), p. 7.

customer service system implementation.[39] The Company went on to win a national award for the best customer service system implementation by a large utility in 2022 or 2023 from CS Week, the leading annual educational and customer service conference serving electric, gas, and water utility professionals.[40]

Specification of Errors

Consistent with Commission regulations, Con Edison presents the following concise statement of alleged errors,[41] including representative precedent in support of its positions:

A. The May 16 Order committed an error of fact in concluding that Con Edison "clearly knew of changes in… cost" of its customer service system when it filed for a change in base rates in 2022. *See* Section I.A, *infra*.

In re Pell v. Bd. of Educ., 34 N.Y.2d 222, 231 (1974) (agency determinations "must be supported by substantial evidence" in the record); *id.* (the arbitrary and capricious test involves determining "whether a particular [agency] action should have been taken or is justified… and whether the administrative action is without foundation in fact") (internal quotation marks omitted); *In re Abrams v. Pub. Serv. Comm'n*, 67 N.Y.2d 205, 218 (1986) (Commission determinations may be "set aside" where they are "without rational basis or without reasonable support in the record") (internal citations omitted).

B. The May 16 Order committed an error of law in concluding that Con Edison had a legal obligation to raise the project cost exceedances in its 2022 electric and gas rate cases. *See* Section I.B, *infra*.

In re Pell v. Bd. of Educ., 34 N.Y.2d 222, 231 (1974) (arbitrary agency action is "without sound basis in reason and is generally taken without regard to the facts"); *In re Abrams v. Pub. Serv. Comm'n*, 67 N.Y.2d 205, 218 (1986) (Commission determinations may be "set aside" where they are "without rational basis or without reasonable support in the record") (internal citations omitted).

C. The May 16 Order committed an error of law by ignoring Con Edison's legal right to file a petition. *See* Section I.B, *infra*.

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39 DPS-1-1, Supplemental 2, p. 6 & Attachment 13.

40 CS Week, Press Release, "Cue the Applause! CS Week Reveals Its 2024 EEA Winners and Finalists" (Feb. 14, 2024), *available at* https://www.dropbox.com/scl/fi/j9ldxxuuaxryzjcqmtrh1/2024-EEA-Press-Release.pdf?rlkey=639zr3hnhydy9vd2655ae269g&dl=0 (last accessed June 6, 2024) (attached as Exhibit B).

41 *See* 16 NYCRR § 3.7(b) (establishing that a petition for rehearing "shall separately identify and specifically explain and support each alleged error or new circumstance said to warrant rehearing").

In re Pell v. Bd. of Educ., 34 N.Y.2d 222, 231 (1974) (arbitrary agency action is "without sound basis in reason and is generally taken without regard to the facts"); *In re Abrams v. Pub. Serv. Comm'n*, 67 N.Y.2d 205, 218 (1986) (Commission determinations may be "set aside" where they are "without rational basis or without reasonable support in the record") (internal citations omitted).

D. The May 16 Order committed errors of fact and law by suggesting that Con Edison's petition failed to provide the procedural protections afforded by the rate case process. *See* Section I.C, *infra*.

In re Pell v. Bd. of Educ., 34 N.Y.2d 222, 231 (1974) (agency determinations "must be supported by substantial evidence" in the record); *id.* (the arbitrary and capricious test involves determining "whether a particular [agency] action should have been taken or is justified… and whether the administrative action is without foundation in fact") (internal quotation marks omitted); *In re Abrams v. Pub. Serv. Comm'n*, 67 N.Y.2d 205, 218 (1986) (Commission determinations may be "set aside" where they are "without rational basis or without reasonable support in the record") (internal citations omitted).

E. The May 16 Order committed an error of law by suggesting that the burden of proof is higher during a rate case proceeding than with a petition. *See* Section I.D, *infra*.

In re Pell v. Bd. of Educ., 34 N.Y.2d 222, 231 (1974) (arbitrary agency action is "without sound basis in reason and is generally taken without regard to the facts"); *In re Abrams v. Pub. Serv. Comm'n*, 67 N.Y.2d 205, 218 (1986) (Commission determinations may be "set aside" where they are "without rational basis or without reasonable support in the record") (internal citations omitted).

F. The May 16 Order committed an error of law by applying a new, heightened, and unreasonable "rate case" burden of proof to Con Edison's petition. *See* Section I.D, *infra*.

In re Pell v. Bd. of Educ., 34 N.Y.2d 222, 231 (1974) (arbitrary agency action is "without sound basis in reason and is generally taken without regard to the facts"); *In re Abrams v. Pub. Serv. Comm'n*, 67 N.Y.2d 205, 218 (1986) (Commission determinations may be "set aside" where they are "without rational basis or without reasonable support in the record") (internal citations omitted).

G. The May 16 Order committed an error of fact by mistakenly concluding that Con Edison's petition failed to meet this new, heightened "rate case" burden of proof, when in fact the information provided by the Company not only matched but exceeded what utilities traditionally provide in rate cases. *See* Section I.D, *infra*.

In re Pell v. Bd. of Educ., 34 N.Y.2d 222, 231 (1974) (agency determinations "must be supported by substantial evidence" in the record); *id.* (the arbitrary and capricious test involves determining "whether a particular [agency] action should

have been taken or is justified… and whether the administrative action is without foundation in fact") (internal quotation marks omitted); *In re Abrams v. Pub. Serv. Comm'n*, 67 N.Y.2d 205, 218 (1986) (Commission determinations may be "set aside" where they are "without rational basis or without reasonable support in the record") (internal citations omitted).

H. The May 16 Order committed an error of law in holding that Con Edison was required to "specifically identify the incremental costs associated with each of the various program changes it claims resulted in it exceeding the cap (e.g., business changes, operational/technical efficiency changes, integration complexities, customer experience and unplanned customer value changes, and regulatory requirement changes)." *See* Section I.D, *infra*.

In re Pell v. Bd. of Educ., 34 N.Y.2d 222, 231 (1974) (arbitrary agency action is "without sound basis in reason and is generally taken without regard to the facts"); *In re Abrams v. Pub. Serv. Comm'n*, 67 N.Y.2d 205, 218 (1986) (Commission determinations may be "set aside" where they are "without rational basis or without reasonable support in the record") (internal citations omitted).

I. The May 16 Order committed an error of law by treating Con Edison's petition as a request for cost recovery, rather than for the more limited relief it actually sought. *See* Section II, *infra*.

In re Pell v. Bd. of Educ., 34 N.Y.2d 222, 231 (1974) (arbitrary agency action is "without sound basis in reason and is generally taken without regard to the facts"); *In re Abrams v. Pub. Serv. Comm'n*, 67 N.Y.2d 205, 218 (1986) (Commission determinations may be "set aside" where they are "without rational basis or without reasonable support in the record") (internal citations omitted).

J. To the extent that cost recovery needs to be addressed by the Commission at this time, the May 16 Order committed an error of law by not applying the prudence standard to the cost exceedances caused by increased project complexity. *See* Section III.A, *infra*.

In re Pell v. Bd. of Educ., 34 N.Y.2d 222, 231 (1974) (arbitrary agency action is "without sound basis in reason and is generally taken without regard to the facts"); *In re Abrams v. Pub. Serv. Comm'n*, 67 N.Y.2d 205, 218 (1986) (Commission determinations may be "set aside" where they are "without rational basis or without reasonable support in the record") (internal citations omitted).

K. The May 16 Order committed an error of law in denying cost recovery on the grounds that Con Edison's new Customer Service System was not "materially different" from what was originally envisioned. *See* Section III.B, *infra*.

In re Pell v. Bd. of Educ., 34 N.Y.2d 222, 231 (1974) (arbitrary agency action is "without sound basis in reason and is generally taken without regard to the facts"); *In re Abrams v. Pub. Serv. Comm'n*, 67 N.Y.2d 205, 218 (1986)

(Commission determinations may be "set aside" where they are "without rational basis or without reasonable support in the record") (internal citations omitted).

L. The May 16 Order committed an error of fact in mistakenly concluding that Con Edison's new Customer Service System was not "materially different" from what was originally envisioned. *See* Section III.B, *infra*.

In re Pell v. Bd. of Educ., 34 N.Y.2d 222, 231 (1974) (agency determinations "must be supported by substantial evidence" in the record); *Id.* (the arbitrary and capricious test involves determining "whether a particular [agency] action should have been taken or is justified…and whether the administrative action is without foundation in fact") (internal quotation marks omitted); *In re Abrams v. Pub. Serv. Comm'n*, 67 N.Y.2d 205, 218 (1986) (Commission determinations may be "set aside" where they are "without rational basis or without reasonable support in the record") (internal citations omitted).

M. The May 16 Order committed an error of fact in mistakenly concluding that Con Edison should have limited the customer enhancements that it chose to undertake while developing its new Customer Service System. *See* Section III.C, *infra*.

In re Pell v. Bd. of Educ., 34 N.Y.2d 222, 231 (1974) (agency determinations "must be supported by substantial evidence" in the record); *id.* (the arbitrary and capricious test involves determining "whether a particular [agency] action should have been taken or is justified… and whether the administrative action is without foundation in fact") (internal quotation marks omitted); *In re Abrams v. Pub. Serv. Comm'n*, 67 N.Y.2d 205, 218 (1986) (Commission determinations may be "set aside" where they are "without rational basis or without reasonable support in the record") (internal citations omitted).

N. To the extent that cost recovery needs to be addressed by the Commission at this time, the May 16 Order committed an error of law by not applying the prudence standard to Con Edison's cost exceedances caused by spending on risk mitigation. *See* Section III.D, *infra*.

In re Pell v. Bd. of Educ., 34 N.Y.2d 222, 231 (1974) (arbitrary agency action is "without sound basis in reason and is generally taken without regard to the facts"); *In re Abrams v. Pub. Serv. Comm'n*, 67 N.Y.2d 205, 218 (1986) (Commission determinations may be "set aside" where they are "without rational basis or without reasonable support in the record") (internal citations omitted).

O. The May 16 Order committed an error of fact to the extent it suggested that Con Edison's original business plan did not include meaningful risk-mitigation measures. *See* Section III.D, *infra*.

In re Pell v. Bd. of Educ., 34 N.Y.2d 222, 231 (1974) (agency determinations "must be supported by substantial evidence" in the record); *id.* (the arbitrary and capricious test involves determining "whether a particular [agency] action should

have been taken or is justified… and whether the administrative action is without foundation in fact") (internal quotation marks omitted); *In re Abrams v. Pub. Serv. Comm'n*, 67 N.Y.2d 205, 218 (1986) (Commission determinations may be "set aside" where they are "without rational basis or without reasonable support in the record") (internal citations omitted).

P. The May 16 Order committed an error of law in concluding that the Company should not be able to treat its billing exception remediation cost exceedances as capital expenditures without addressing Con Edison's argument that it could treat these costs as capital. *See* Section IV, *infra*.

In re Pell v. Bd. of Educ., 34 N.Y.2d 222, 231 (1974) (arbitrary agency action is "without sound basis in reason and is generally taken without regard to the facts"); *In re Abrams v. Pub. Serv. Comm'n*, 67 N.Y.2d 205, 218 (1986) (Commission determinations may be "set aside" where they are "without rational basis or without reasonable support in the record") (internal citations omitted).

Q. The May 16 Order committed errors of fact and law in concluding that Con Edison could have or should have raised the remediation of billing exceptions in its 2022 electric and gas rate cases. *See* Section IV, *infra*.

In re Pell v. Bd. of Educ., 34 N.Y.2d 222, 231 (1974) (agency determinations "must be supported by substantial evidence" in the record); *id.* (the arbitrary and capricious test involves determining "whether a particular [agency] action should have been taken or is justified… and whether the administrative action is without foundation in fact") (internal quotation marks omitted); *In re Abrams v. Pub. Serv. Comm'n*, 67 N.Y.2d 205, 218 (1986) (Commission determinations may be "set aside" where they are "without rational basis or without reasonable support in the record") (internal citations omitted).

Discussion

I. The May 16 Order Erred in Concluding that Con Edison Could Have—and Must Have—Sought Additional Funds for Its Customer Service System in Its Last Electric and Gas Rate Cases.

The May 16 Order relied in part on the determination that Con Edison could and should have sought to address the cost exceedance in its 2022 rate cases rather than through a petition. That determination is flawed in three respects. First, it is wrong about the facts. Contrary to the Order's assertion, the record shows that Con Edison did not know it would exceed the cap when it filed initial or update testimony. Second, because of that factual error, the Order misapplied the law. Neither the Public Service Law nor the Commission's regulations required Con Edison to

proceed in a rate case. In fact, the 2020 and 2023 Rate Orders approved Joint Proposals that specifically permit Con Edison to proceed by petition. And third, the Order mischaracterized the relative benefits of proceeding in a rate case. As a result, it wrongly concluded that the Public Service Law creates different evidentiary burdens for rate cases and petitions and that Con Edison's petition failed to meet the rate case burden.

The Company understands the Commission's preference to address cost-related matters in rate proceedings in the normal course of business. Nevertheless, on the facts of this case, the Company acted properly in making its request by petition.

A. The May 16 Order Erred in Concluding That Con Edison Had Sufficient Knowledge to Seek Additional Funding in Its 2022 Rate Cases.

The May 16 Order relied on a discovery response to find that Con Edison "was aware of the increase in project complexity and the resulting program changes before, as well as during, the recent electric and gas base rate proceedings."[42] From this, the Order concludes that "Con Edison clearly knew of changes in scope and cost of the CSS" when it filed its rate cases, and "yet it did not provide testimony regarding the changes in scope and costs, nor did it mention the possibility that it would exceed the cap."[43]

The Order misread the discovery response and, consequently, made a critical factual mistake regarding the timeline. Contrary to the Order's assertions, Con Edison continued to identify increases in the project's complexity into 2023 and did not project that it would spend above the cap until well after the testimony phase of its last rate case.

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42 *Id.*, pp. 11-12 (citing DPS-2-1(b)).

43 *Id.*, p. 12.

In discovery, Department Staff asked the Company when it "became aware of the changes in the complexity of the work to implement the project."[44] The Company responded that it had identified the more than 160 additional integrations needed "over the course of the project's design, build, and test phases."[45] The Company then included a graphic from its quarterly system implementation reports showing the overlapping timelines for those three phases: the design phase lasting from 2020 into early 2021, the build phase lasting from early 2021 into 2022, and the test phase beginning at the start of 2022 and extending close to the go-live date in 2023.[46]

The May 16 Order, however, attributed increases in project complexity only to the first two phases. Relying on the discovery response, the Order asserted that Con Edison "was aware of the increase in project complexity and the resulting program changes before, as well as during, the recent electric and gas base rate proceedings,"[47] explaining in a footnote that "the project timeline indicates the build and design phases were, for the most part, completed in calendar years 2020 and 2021" while "[t]he Company filed its most recent electric and gas base rate cases… on January 28, 2022."[48]

In reaching this conclusion, the Order missed the part of the discovery response explaining that Con Edison continued to identify additional project complexity through the test phase that continued well into 2023. This error resulted in the Order reasoning from a false

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44 DPS-2-1(b).

45 *Id.*

46 *Id.*

47 May 16 Order, p. 12 & n.25.

48 *Id.*, p. 12 n.25.

premise and reaching the wrong conclusion about when Con Edison projected that it would exceed the cap.

The May 16 Order also drew the wrong inference from the fact the Company encountered increases in the project's complexity. Increasing complexity does not necessarily result in expenditures over a cap. When it filed the rate cases in January 2022, Con Edison was aware that the project was more complex than was originally envisioned, though not yet aware of the full extent of the additional work that the increased complexity would require. The Company was also first becoming aware of the problems unfolding at Central Hudson that would later cause the Company to further reduce risk at implementation and to prepare its billing data for conversion by remediating its backlog of billing exceptions substantially below historic levels. Throughout the period in which it submitted testimony, Con Edison continued to manage the project with project cost estimates within the approved cap and anticipated that it could continue to do so. Thus, the increases in project complexity the Company identified in 2020 and 2021 did not in and of itself indicate to Con Edison that it would later exceed the cap. Accordingly, the Company could not reasonably testify in early 2022 to future cost exceedances that it did not yet believe would occur and, even if it had, could not have forecast with any degree of confidence.

The record bears out Con Edison's assertions and demonstrates that the Order relied on a mistake of fact. In compliance with the 2020 and 2023 Rate Orders, the Company has filed periodic public reports on the progress of its work.[49] These reports include the CPI metric, which compares the project's earned value to its actual costs—in other words, whether the project remains on budget. Con Edison filed its 2022 rate cases on January 28, 2022, two weeks after

[49] *See* 2020 Rate Order, Joint Proposal, Section D.4.c & App'x 26; 2023 Rate Order, Joint Proposal, Section M.1. The Company originally filed these reports in Cases 19-E-0065 and 19-G-0066. Beginning on October 16, 2023, following approval of the 2023 Rate Order, it filed these reports in Cases 22-E-0064 and 22-G-0065. The Company filed its most recent report on April 15, 2024.

filing its progress report for the fourth quarter of 2021. The Company's CPI for that quarter was 1.11, and its CPI for the project to date was 1.07, indicating that "the project continues to underspend against earned value."[50] When the Company filed updated testimony in its rate case on April 8, 2022, it was days away from reporting results for the first quarter of 2022; for that quarter, the Company reported a CPI of 1.08, and its CPI for the overall project ticked up to 1.09, again indicating that the project remained under budget.[51] The Company then filed its rebuttal testimony in its rate cases on June 17, 2022. Four weeks later, Con Edison filed its progress report for the second quarter of 2022. And again, the Company's CPI for the quarter and the project to date both remained above 1.00, indicating that it continued to underspend relative to planned value several months into its rate cases.[52]

In fact, while the CPI slipped just below 1.00 in the third quarter of 2022, Con Edison did not see any significant pressure on its budget until January 17, 2023, when it publicly reported that its CPI for the project had fallen to 0.91 at the end of 2022.[53] That report came nearly a year into its rate cases and a month before the Company, Department Staff, and other parties signed the Joint Proposal on February 16, 2023.[54] Thus, the record shows that Con Edison was not projecting to exceed the cap when it filed testimony or during the bulk of the negotiations that occurred during the rate case. At that time, Con Edison did not yet have concrete information about the extent of any potential cost overruns to seek additional funding, as required by

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50 2019 Rate Cases, *CSS Implementation Status Report* (filed Jan. 14, 2022), p. 7.

51 2019 Rate Cases, *CSS Implementation Status Report* (filed Apr. 15, 2022), p. 7.

52 2019 Rate Cases, *CSS Implementation Status Report* (filed July 15, 2022), p. 7.

53 2019 Rate Cases, *CSS Implementation Status Report* (filed Jan. 17, 2023), p. 8.

54 *See* 2023 Rate Order, Joint Proposal.

Commission regulations.[55] In other words, had the Company provided supplemental testimony at that late date, or even earlier, that testimony would not have been adequate to support an increase in its revenue requirement.

Indeed, the May 16 Order tries to have it both ways. On one hand, it faults Con Edison for not raising these costs a year earlier, in the 2022 rate case. On the other, it faults Con Edison for not supporting the April 2023 petition with "the level of detail traditionally provided in a rate case."[56] The Order does not explain how Con Edison could have satisfied this burden in 2022—when it had far *less* information than it does now. While Con Edison submits that its current showing was sufficient to support the relief sought here,[57] it did not have concrete information on the cost of this work and the extent to which it would cause Con Edison to exceed the cost cap in January 2022 or at any point during the rate case negotiations. Even with the benefit of 20/20 hindsight, the May 16 Order cannot fault Con Edison for failing to testify to costs it did not anticipate it would incur, and then could not reasonably forecast or estimate—much less with "the level of detail traditionally provided in a rate case."

Because it misread the discovery response, the May 16 Order erroneously concluded that Con Edison was aware of the full scope of the required incremental work and the resulting impact on the project's ultimate cost at the start of the rate case in January 2022. As the project continued in parallel to the rate case in 2022, the Company continued to identify more required work. For example, the Company began investigating what types of billing exceptions needed remediation in June 2022 and brought on additional staffing in five waves between September

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55 *See* 16 NYCRR § 61.4 (requiring utilities to provide cost information that is not "speculative or conjectural" and that "all estimates must be explained in detail and the bases definitely established").

56 May 16 Order, p. 13.

57 *See* Section IV.A, *infra.*

2022 and February 2023. But for most of that time, the Company forecast that the project could be managed within its existing budget cap and project schedule. The Company, however, determined in March 2023 that it needed to extend its go-live date from May to September 2023 to allow for more stringent testing than it would normally undertake, due in part to the issues at Central Hudson.[58] That indisputably prudent decision (and a later one-month extension to October 2023) added several months to the project, and associated capital work during that period, adding further costs.

B. The May 16 Order Erred in Concluding That Con Edison Had a Legal Obligation to Seek Additional Funding in Its 2022 Rate Cases.

The May 16 Order committed an error of law when it concluded that Con Edison had a legal obligation to raise this cost exceedance in its 2022 rate case. In support of that conclusion, the May 16 Order cited a Commission regulation requiring utilities to provide testimony on changes in "revenues," "expenses," and "income" in rate proceedings:

> If the utility involved believes that there will be changes in revenues, expenses or income which should be considered in determining reasonable rates for the future, it shall present competent testimony to support such estimates. Speculative or conjectural data are not acceptable and all estimates must be explained in detail and the bases definitely established.[59]

But as explained above, when Con Edison presented testimony in its rate cases, it did not know or believe that it would exceed the cost cap, so it did not know or believe that there would be "changes in revenues, expenses or income" germane to future rates. And even if it had, at that time those changes would have been "speculative" or "conjectural," so the Company could not have presented "competent testimony to support such estimates." The regulation was therefore inapplicable, and the May 16 Order made an error of law by relying on it.

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[58] *See* 2019 Rate Cases, *CSS Implementation Status Report* (filed Apr. 18, 2023), p. 7.

[59] 16 NYCRR § 61.4.

Moreover, Con Edison's request to capitalize the incremental costs of its customer service system—but not yet recover those costs—would not change its "revenues," "expenses," or "income." Accordingly, as a matter of law, this regulation does not apply to the Company's underlying petition to capitalize its costs above the cap.

The May 16 Order also erred by ignoring Con Edison's right to file a petition in the event of a cost exceedance. As an initial matter, nothing in the Public Service Law or Commission regulations prohibit such petitions. More specifically, however, the 2020 Rate Order adopted a cap and petition mechanism that states that "[i]f the Company exceeds the CSS cost cap, it may petition for additional cost recovery."[60] Had the signatory parties or the Commission intended Con Edison to seek cost recovery only in a rate case, they would not have adopted the cap and petition mechanism and would have instead directed Con Edison to seek cost recovery in a future rate case. In fact, other cost caps recently imposed by the Commission have explicitly deferred the issue of cost recovery above a cap until the utility's next rate case[61] or given the utility the option to seek recovery of incremental costs either by petition or in its next rate case.[62] As a result, the Order should have found that Con Edison proceeded according to its rights. By

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60 2020 Rate Order, Joint Proposal, Section D.4.a n.46.

61 *See* 2019 Rate Cases, *Order Regarding Transmission Investment Petition* (issued Apr. 15, 2021), p. 16 ("The total amount of costs to be eligible for recovery shall not exceed the preliminary cost estimate for each project included in the Company's petition in Exhibits A, B and C. As is typically done, in the Company's next rate filing, TRACE projects costs will be reviewed prior to inclusion in rate base. Any previously surcharged collections will be subject to customer reimbursement based on the Commission's determination."); *accord id.*, p. 18 ("Regarding the unknown cost of the projects, which was raised in multiple comments, the Commission notes that a full review of the projects' construction costs will take place in Con Edison's next rate proceeding, ensuring that ratepayers are not improperly burdened.").

62 *See* Case 20-E-0197, Proceeding on Motion of the Commission to Implement Transmission Planning Pursuant to the Accelerated Renewable Energy Growth and Community Benefit Act, *Order Approving Cost Recovery for Clean Energy Hub* (issued Apr. 20, 2023), p. 34 ("The surcharge recovery is capped at the $810 million estimate provided by the Company in the Supplement and any excess costs prudently incurred for the Project shall be addressed in Con Edison's next rate case filed after the completion of the Project, unless the Commission decides otherwise after considering the petition Con Edison may file no later than one year prior to the in-service date of the Scalable Renewable Hub as discussed below.").

punishing the Company for exercising them, it violated the basic requirements of reasoned decision making.

C. There Was No Harm or Prejudice from Con Edison Raising Its Cost Exceedance by Petition Instead of in Its 2022 Rate Case.

The May 16 Order also erred in fact and law by suggesting that Con Edison's petition did not provide the procedural protections afforded by the rate case process. In that vein, the May 16 Order noted that the purpose of rate cases is to consider the drivers of a utility's revenue needs and discussed the benefits to intervenors, customers, and the Commission of having a utility's revenue needs determined in a public proceeding.[63] But the May 16 Order fails to identify any procedural (much less substantive) harm resulting from Con Edison's proceeding by petition.

Here, Con Edison's petition was subject to the full scope of procedures that would have been available in a rate case. Con Edison filed its request in a public forum. The petition was subject to public notice and comment as a proposed rulemaking in the State Register on June 7, 2023, in accordance the State Administrative Procedure Act. (While the May 16 Order promotes rate cases as a "quasi-legislative function,"[64] a proposed rulemaking is also quasi-legislative.) Parties besides Department Staff could—and did—propound discovery on the Company. And one party, the City of New York, chose to file comments in opposition to Con Edison's petition.[65]

Moreover, Con Edison went out of its way to facilitate robust public participation. For example, the Company filed on the docket of Cases 19-E-0065 and 19-G-0066—the rate cases that produced the 2020 Rate Order then in effect and which included the cost cap and the

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63 *See* May 16 Order, pp. 12-13.

64 *Id.*, p. 12.

65 *See* May 16 Order, pp. 6-7.

Company's right to petition. The Company then served its petition by e-mail on the parties to both the 2019 rate cases and its 2022 rate cases (Cases 22-E-0064 and 22-G-0065) to provide notice to interested parties. Later, the Company served its responses to information requests from DPS Staff by e-mail on the rate case parties. In other words, all potentially interested parties had notice of the petition and the information needed to meaningfully participate in the proceedings, if they wanted.

Finally, the May 16 Order overstates the extent to which large capital expenditures must be regulated within rate cases to facilitate stakeholder participation. It is true, as the Order observed, that rate cases help intervenors, customers, and the Commission "understand[] the need for revenue, the potential drivers of rates in the future and whether levelization of revenue requirement needs can be utilized in a multi-year rate plan and to what degree."[66] But if that were dispositive, the Commission would not order utilities to file large capital projects outside of the rate case process. And yet it does.[67] The Commission is also not alone in this regard: the Legislature has specifically ordered utilities to file resilience plans, which include significant capital expenditures, outside the rate case process.[68]

D. The May 16 Order Applied a New and Incorrect Evidentiary Burden to the Petition and Incorrectly Determined That Con Edison Did Not Provide Adequate Information in Support of Its Petition

The May 16 Order correctly states that Con Edison has the burden of proof in demonstrating its need for relief, whether in a petition or a rate case.[69] But the Order then creates

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66 *Id.*, p. 13.

67 *See* Case 20-E-0197, *Proceeding on Motion of the Commission to Implement Transmission Planning Pursuant to the Accelerated Renewable Energy Growth and Community Benefit Act* (Accelerated Renewable Act Implementation Proceeding), Order on Local Transmission and Distribution Planning Process and Phase 2 Project Proposals (issued Sept. 9, 2021), pp. 29, 34 ("Phase II Order").

68 *See* Pub. Serv. L. § 66(29)(b).

69 May 16 Order, p. 13.

a new, heightened burden to apply to the petition and finds that Con Edison did not meet it. Specifically, the Order finds that Con Edison did not meet its burden in the petition because it "failed to provide information with the level of detail traditionally provided in a rate case."[70] The Order is wrong in three respects.

First, the Order wrongly suggested that the burden of proof in a rate case is higher than in a petition. That is not so. In either case, the utility must support its request by substantial evidence on the record.[71]

Second, even if the law did impose a higher burden in rate cases, this is not a rate filing or analogous to a rate filing. Rate filings involve a thorough examination of all aspects of a utility's business, set capital and O&M budgets for the duration of the rate plan, determine rates and rate design for all customer classes, and establish an authorized return for investors. Here, Con Edison simply sought a temporary accounting treatment until it filed for full Commission review. It did not seek cost recovery. There is nothing remotely similar about a rate filing and the requested accounting treatment that would justify importing a heightened burden even if one existed.

Third, even if the Commission ultimately determines that the requested accounting treatment is inseparable from the question of cost recovery, the May 16 Order erred as a matter of fact because the information Con Edison provided not only matched, but exceeded, what it would traditionally provide in a rate case. Con Edison traditionally supports its capital spending proposals in rate cases with white papers, typically five to ten pages long, that summarize the work to be performed; the Company's justification for the project; potential alternatives that the

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70 *Id*.

71 [Citation needed.]

Company considered; the risks of no action; the project's financial and non-financial benefits; project risks and how the Company intends to mitigate them; the technical aspects of the proposed project; and the project's relationships to other Company plans, initiatives, and programs.

The white papers also provide high-level capital and operating budgets. For capital spending, the white papers typically break down the requested funds by year into five broad categories: internal company labor, materials and supplies, contract services, overhead, and other costs. For some large projects, the Company might provide an addendum with additional detail. For example, it might break out overall spending across a number of individual sub-projects. Or it might break a broad cost category into multiple elements, such as by distinguishing between IT and non-IT internal labor costs or by identifying more than one type of external contractor. But even then, the information provided is only a forecast, not an after-the-fact accounting.

In response to information requests from Department Staff in this case, Con Edison has gone well beyond the basic cost categories in rate case white papers. The May 16 Order acknowledges that the Company provided "a breakdown of the costs by cost category (e.g., internal labor, external labor, etc.)."[72] This is exactly the information "traditionally" provided in rate cases. But Con Edison provided much more. It provided a detailed narrative of the drivers of its increased costs at least as detailed as the work descriptions provided in rate case white papers.[73] To show the increased complexity of the project, Con Edison provided details and descriptions of the 491 original planned system interfaces[74] and the 683 system interfaces the

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72 May 16 Order, p. 13 n.29 (citing DPS-1-1, Supplemental 2, Attachment 2).

73 DPS-1-1, Supplemental 2.

74 *Id.*, Attachment 6.

project eventually required[75]; the Company likewise provided details and descriptions of the 274 original planned program extensions[76] and the 386 program extensions ultimately developed.[77] Con Edison further provided details on the 161 program change requests approved as part of its vendor contracts.[78] It also provided precise dollar amounts for vendor change orders and other unplanned costs—in other words, how it paid vendors for those increased efforts.[79] And to show how the increased costs aligned with the increased scope of work, the Company provided a statistical model for how this increased work drove higher project costs, including a breakdown of the original and updated costs in seven categories and information on the increase in the number of hours worked.[80] In total, this is more information, with more detail, than a utility would normally provide to support a program in a rate case.

The May 16 Order identified only a single deficiency in Con Edison's proof: that it "was unable to specifically identify the incremental costs associated with each of the various program changes it claims resulted in it exceeding the cap (e.g., business changes, operational/technical efficiency changes, integration complexities, customer experience and unplanned customer value changes, and regulatory requirement changes)."[81] But that level of detail represents an unreasonable standard. On these facts, it is not reasonable to expect Con Edison to assign specific dollar amounts to each of the hundreds of additional extensions and integrations required to make the system work properly and deliver value to customers. The Company's vendors and

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75 *Id.*, Attachment 7.

76 *Id.*, Attachment 8.

77 *Id.*, Attachment 9.

78 *Id.*, Attachment 4.

79 *Id.*, Attachment 10.

80 *Id.*, Attachment 11.

81 May 16 Order, p. 13.

employees could not allocate the time they spent on each separate system component—including requirements gathering, program development, multiple rounds of testing, change management, and training—with the level of precision that the May 16 Order contemplates. Further, the expectation of specifically assigning the costs needed to make each of these extensions and integrations collectively "work together" in a seamless, accurate and efficient way is even more far reaching. Such detailed cost accounting is inconsistent with normal practices in software development and would have imposed unreasonable administrative burdens had it been required from the outset. Indeed, the Commission approved the original business plan with detailed costs for various aspects of the project but without the further detailed breakdown of those costs demanded here for each of the hundreds of functionalities included in the original business plan. The standard should not be altered for efforts that were incremental to the original plan.

Nevertheless, the Company has provided the information that the May 16 Order said it needed to determine the "reasonableness" of the Company's incremental spending.[82] In its discovery responses, the Company provided precise dollar amounts attributable to change orders for, among other things, work and staffing related to additional data conversion ($2.9 million); infrastructure resources ($3.0 million); interfaces and extensions ($27.0 million); user acceptance testing ($3.7 million); deployment and project management ($4.2 million); middleware and development ($14.4 million); legacy system integrations ($10.3 million); newly created digital channels for customers ($7.6 million); and reporting requirements ($1.8 million).[83] This is again more detail than a utility would normally provide in its rate case filing and sufficient detail for the Commission to ascertain the prudence of the Company's spending.

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82 *Id.*

83 DPS-1-1, Supplemental 2, Attachment 11.

II. The May 16 Order Erred in Treating Con Edison's Petition as a Request to Recover Costs from Customers.

The May 16 Order erred as a matter of law by answering the wrong question. The Order treated Con Edison's petition as a request for cost recovery, rather than for the more limited relief it actually sought: a temporary accounting treatment that would allow it to capitalize costs above the cap until further Commission review. Consequently, the Order never addressed whether Con Edison's requested relief was justified by the totality of the circumstances.

The May 16 Order does not acknowledge why Con Edison sought its limited relief, and those circumstances show that the Company had no reasonable alternative. When the Company filed its petition in April 2023, it had only recently begun to project that it would exceed its budget, as measured by its publicly reported CPI.[84] It had also determined a month earlier to extend the project's go-live date to provide time for more rigorous testing, relative to normal practice, in light of the issues at Central Hudson, even though this would add to the capital investment. And while the project had not yet reached the budget cap, it was close to doing so, and would cross that line within months because of the extended go-live date.[85] At that point, as the Company explained in its petition, it would be required under Generally Accepted Accounting Principles to record as an expense against earnings any amounts it spent above the cap unless the Commission allowed it to capitalize those costs.[86] And so, needing relief from the cost cap to avoid incurring an immediate expense, the Company took the only reasonable course:

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84 *See* Section I.A, *supra*.

85 *See* 2019 Rate Cases, *CSS Implementation Status Report* (filed Apr. 18, 2023), p. 4 (reporting that Con Edison's capital spending through March 31, 2023, was about $384.9 million, about $36.1 million below the budget cap); 2019 Rate Cases, *CSS Implementation Status Report* (filed July 17, 2023), p. 7 (reporting that Con Edison's had exceeded the budget cap by $2.6 million as of June 30, 2023, a month after the original go-live date). As is apparent from this spending rate, Con Edison did not exceed the cost cap until after the original May 2023 go-live date.

86 *See* Petition, p. 14 & n.27.

petitioning for a temporary accounting treatment that would allow it to capitalize its incremental costs pending further proceedings on cost recovery.

The May 16 Order took none of this context into account. Instead, it conflated Con Edison's limited request with the separate issue of cost recovery, stating:

> While Con Edison states that it only requests authorization to continue to capitalize costs associated with implementation of the new CSS at this time, granting such a request would provide authority to exceed the cap and Con Edison would most likely seek our authority to recover the exceedance from ratepayers in a future proceeding.[87]

The May 16 Order, however, did not explain why it would be improper to grant Con Edison the temporary relief it sought pending a determination of cost recovery in a future proceeding. To the contrary, in the 2020 Rate Order, the Commission granted Con Edison the right to seek cost recovery in such a proceeding, and the Company needed the temporary accounting treatment it sought simply to preserve the status quo in the interim. Indeed, the May 16 Order undermined that Commission-granted right in two ways: first, by deciding the issue of cost recovery without the Company having squarely raised it by petition, as allowed under the 2020 Rate Order; and second, by forcing the Company to record its cost exceedance as an expense before it could be heard on the issue of cost recovery. The May 16 Order's oversimplification of the issues was therefore arbitrary and contrary to the Commission's prior orders authorizing the Company to petition for cost recovery.

Accordingly, the Commission should grant the Company's petition for rehearing, grant the requested accounting treatment to preserve the status quo prior to the May 16 Order, and allow the Company to raise the issue of cost recovery in its next rate case or a separate proceeding. The Commission may or may not grant the Company cost recovery in a future

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[87] May 16 Order, p. 8.

proceeding, but at least the Company would have the rights granted in the 2020 Rate Order and denied it by the May 16 Order.

The circumstances here warrant granting this temporary relief:

- Con Edison was transparent with the public and Department Staff in its periodic reporting on implementation of its customer service system.
- The Company had ongoing discussions with Department Staff on the project work that drove the cost exceedance, including the additional project scope (and more stringent testing after Central Hudson), its increased risk mitigation efforts, and its effort to prepare its billing data for conversion into the new system by remediating billing exceptions from its legacy system before the project went live. The Company also discussed with Department Staff extending the new system's go-live date to allow more time for additional testing and to increase the likelihood of a successful deployment.
- The project implementation was ultimately successful and benefited customers.
- Allowing Con Edison to temporarily treat its incremental costs as capital for financial accounting purposes, pending a decision on cost recovery, would have no financial impact on customers during the term of its current rate plans. But forcing Con Edison to record an $88.2 million expense on its income statement is tantamount to a significant monetary penalty.

Under these circumstances, the Commission should grant rehearing, authorize the requested temporary accounting treatment, and direct Con Edison to include the spending above the cap in its next base rate case. Alternatively, if the Commission determines it must reach cost recovery in this proceeding, it should grant rehearing and either grant full cost recovery based on the record or set the case for hearing and potential settlement negotiations.

III. To the Extent that the Commission Determines that It Must Reach the Issue of Cost Recovery, the May 16 Order Erred in Failing to Apply the Prudence Standard.

A. The Prudence Standard Applies to Cost Recovery Above the Cap.

To the extent the Commission determines that its consideration of Con Edison's requested temporary accounting treatment is inseparable from the question of cost recovery, the

May 16 Order committed an error of law by applying the wrong legal standard to the cost recovery question.

For decades, the Commission has adhered to its "longstanding" policy of permitting recovery of prudently incurred utility expenses and expenditures—often referred to as the "prudence standard."[88] Under this standard, utilities recover their prudently incurred capital costs, including a return on their investment. In this context, a utility's decision is prudent where it "acted reasonably based on the information that it had and the circumstances that existed at the time," irrespective of whether it could have adopted a different course of action.[89] Investors rely on regulators' faithful application of the prudence standard in deciding whether and at what price to continue to provide capital to utilities within a given regulatory jurisdiction. Departures from this standard undermine the regulatory compact, raising the cost of, or restricting access to, capital at the expense of customers.[90]

Without question, the cap and petition mechanism in Con Edison's rate orders establishes the Company's right to petition for additional recovery of costs above the cap.[91] Indeed, the most recent rate order clarifies that other interested parties have the right to oppose any such petition

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88 Cases 27984 et al., *Opinion No. 82-4*, Niagara Mohawk Power Corp., 22 N.Y. P.S.C. 244, 302 (1982); Case 27794, *Opinion No. 82-1*, Sterling Power Project Nuclear Unit No. 1, 22 N.Y. P.S.C. 1, 7 (1982). *See also* Case 16-G-0058 et al., *Order Adopting Terms of Joint Proposal and Establishing Gas Rate Plans* (issued Dec. 16, 2016) (citing *In re Abrams v. Pub. Serv. Comm'n*, 67 N.Y.2d 205, 214-15 (1986)) (recognizing the Commission's "longstanding" policy of generally favoring the recovery of utility expenditures that are demonstrated to have been prudently incurred).

89 *In re Nat'l Fuel Gas Distribution Corp. v. Pub. Serv. Comm'n*, 16 N.Y.3d 360, 368 (2011); *see also In re Long Island Lighting Co. v. Pub. Serv. Comm'n*, 134 A.D.2d 135, 143-44 (3d Dep't 1987) (holding that the Commission's prudence analysis involves "judging whether [a] utility acted reasonably, under the circumstances at the time, considering that the company had to solve its problems prospectively rather than in reliance on hindsight").

90 Case 16-G-0058 et al., *Order Adopting Terms of Joint Proposal and Establishing Gas Rate Plans* (issued Dec. 16, 2016), p. 85 (recognizing that "[t]he Commission's consistent application of the general principle allowing recovery of prudent costs is a factor in satisfying investor expectations and in maintaining a predictable regulatory environment").

91 2020 Rate Order, p. 59; 2019 Joint Proposal, p. 36 & n.46.

filed by Con Edison.[92] Nothing in these provisions, however, alters the prudence standard that applies to such a petition. Had the parties to the 2019 Joint Proposal wanted to change the standard to require a showing beyond prudence, they could have included different language in the Joint Proposal, as the Commission has done with other cost caps cited in the May 16 Order.[93] But they did not do so in this case. As a result, the prudence standard remains unchanged by the cost cap provision and continues to apply here.

The prudence standard, however, does not mean that utilities subject to a cost cap are automatically entitled to recover all costs above the cap.[94] For instance, the May 16 Order cites the U.S. Foundation Program, a similarly complex technology program initiated by another utility in 2010.[95] This project involved implementing a new consolidated enterprise resource planning system to replace numerous other legacy systems used across the utility's operating entities.[96] The utility encountered significant accounting, payroll, and supply chain problems

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92 2023 Rate Order, p. 22; 2023 Joint Proposal, p. 29 & n.36.

93 *See* Case 17-E-0238 et al*., Order Authorizing Implementation of Advanced Metering Infrastructure with Modifications* (issued Nov. 20, 2020), pp. 40-41 (establishing that, "[i]n the event National Grid prudently incurs costs above the capital cost cap, if it chooses to seek recovery of such costs in a future rate proceeding, it must demonstrate how these additional costs provide incremental benefits to customers and produce results that are different in scope from what is already included in its AMI Business Case").

94 The cap operates to shift the burden of proof to the utility for costs above the cap. Utility expenditures are traditionally assumed to result from the exercise of reasonable managerial judgment. *Matter of Long Island Lighting Co. v. Pub. Serv. Comm'n*, 134 A.D.2d 135, 144 (3d Dep't 1987) (internal citations omitted). As such, before the Commission disallows costs as imprudent, Department Staff has the initial burden to come forward with evidence sufficient to demonstrate a "tenable basis" that the utility's spending was imprudent. Where Department Staff presents such evidence, the burden then shifts to the utility to show that its actions and resulting expenditures were prudent. *Id.* (internal citations omitted). The utility may then recover those expenditures where it carries its burden of showing that its actions and costs were reasonable under the circumstances. In the case of a cost cap, the cap substitutes for Department Staff's initial showing and places the burden on the utility to show that costs above the cap were prudent. This is exactly how the cost cap functions here.

95 May 16 Order, p. 9.

96 *See* Case 13-G-0009, Comprehensive Management and Operations Audit of National Grid USA's New York Gas Companies, *Final Report* (filed Oct. 2, 2014), p. IV-12 (describing how the U.S. Foundation Program required development of several hundred components known as "RICEFWs (Reports, Interfaces, Conversions, Enhancements, Forms, Workflows)).")

when the new system went live in November 2012, resulting in enormous cost overruns absorbed by shareholders.[97] A thorough review of the project identified numerous root causes, including overly ambitious design, insufficient planning, internal resource limitations, lack of process accountability and ownership, inadequate focus on data quality from legacy systems, and ineffective testing and training.[98] The review also determined that some of the problems were caused in part by unresolved issues that had been previously identified by the utility's independent auditors.[99] The review, conducted by an independent auditor under Department Staff oversight, additionally found that the utility was "unprepared" for the project "in terms of technological complexity and the magnitude of business transformation requirements associated with… implementation."[100]

Nothing like that is present here. Con Edison's new customer service system is an overwhelming success by all objective metrics because of its thorough and iterative planning process and comprehensive risk mitigation efforts, and as evidenced by its sustained performance on customer service metrics during system stabilization and receipt of a national award for best customer service system implementation. Indeed, the Company spent above the cap precisely because it was prudent to address the issues that emerged and the new information that it received as the project progressed.

Notably, the May 16 Order did not assert that any of Con Edison's spending above the cap was imprudent. Nor could it. With respect to spending resulting from increases in the project's scope and complexity, Con Edison produced complete lists of the additional extensions

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97 *Id.*, p. IV-10 (describing how the total amount sanctioned for the project was $383.8 million, with the actual total cost of the project being estimated at over $945 million).

98 *Id.*

99 *Id.*, p. IV-9.

100 *Id.*, p. IV-12.

and integrations needed to make the off-the-shelf Customer Care and Billing System perform the necessary functions and operate with numerous internal and external technology programs.[101] The Company further explained why it undertook this additional work and how it provided value to customers.[102] The May 16 Order did not identify a single extension or integration that was unnecessary or that the Company should have omitted. Similarly, Con Edison explained that it undertook additional risk mitigation efforts to protect customers considering the evolving situation at Central Hudson,[103] and the May 16 Order did not suggest that the Company should have acted otherwise. And finally, Con Edison showed that its program to prepare its billing data for conversion by bringing its backlog of billing exceptions significantly below its usual number was also a reasonable response to lessons learned from Central Hudson.[104] The Company further showed that this work went beyond amounts it would expense in the normal course of business and that it did so specifically to improve the quality of the billing data to be moved into the new customer service system.[105] The May 16 Order did not challenge either showing. For each category of costs, therefore, Con Edison's demonstrations of prudence remain unchallenged.

B. The May 16 Order Erred By Not Applying the Prudence Standard to Spending Above the Cap Caused by the Increase in Project Complexity and in Concluding that Con Edison's Customer Service System Was Not "Materially Different" From the Original Plan.

Rather than apply the prudence standard, which asks whether a utility's actions were reasonable at the time, the May 16 Order reviewed spending resulting from an increase in project complexity to determine if that spending would result in a customer service system "that is

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101 DPS-1-1, Supplemental 2, Attachments 5-9.

102 *Id.*

103 *Id.*

104 Petition, pp. 13-14; DPS-1-1, Supplemental 2.

105 *Id.*

materially different, from a customer perspective, than what was envisioned when the Commission established the capital expenditure cap," or whether it would "allow the Company to achieve any additional savings or reductions in cost."[106] Neither standard is correct. The proper inquiry is whether it was reasonable at the time for Con Edison to exceed the cap to address increases in the project's complexity so that the new customer service system would function successfully; there is no requirement to show new or added benefits. In other words, the prudence standard examines the reasonableness of the utility's decision in the full context of the circumstances that existed at the time and place it was made and in light of the goal being pursued; it does not measure whether the decision resulted in meeting different criteria identified after the fact. The novel standards used in the May 16 Order have no basis in law and so constitute an error warranting rehearing.

The May 16 Order's conclusion that Con Edison's new customer service system was not "materially different… than what was envisioned" is also wrong. While all customer billing systems may be superficially alike in that they all must perform certain basic functions, the May 16 Order ignored the sophistication and complexity of Con Edison's system. In fact, that system was far more advanced and delivered far more value than originally planned. Among the 161 program change requests that expanded the system's scope and capabilities:

- There were 34 change requests driven by new regulatory requirements that the Company could not have foreseen in its original business plan. These included enhancements to customer payment agreements driven by Commission and stakeholder concerns over customer hardship during the Covid-19 pandemic; the Commission's significant expansion of the Energy Affordability Program in 2021; the requirement in the Commission's Net Metering Order that the Company print bill messages from community distributed generation

[106] May 16 Order, p. 14.

providers; and the rollout of innovative natural gas detectors to improve customer safety.[107]

- There were 14 "business change" requests required by changes to the Company's legacy system during the implementation period. For example, the new system had to incorporate the landlord web portal that went into production in the legacy environment while the new project was underway. To have omitted these features would have entailed taking a step back in functionality and providing a lower level of customer service.[108]

- There were 29 "customer experience" changes necessary to ensure a consistent or enhanced customer experience compared to the legacy environment. For example, the Company had to adapt the new system to continue providing third-party data access, which helps many customers find ways to conserve energy. Several of these change requests also improved the customer experience for customers with life-sustaining medical equipment and medical hardships, as well as elderly, blind, and disabled customers in the Company's Concern program.[109]

- There were nine program changes that delivered unplanned customer value, including a revamped portal for customers with multiple accounts, better access to energy usage data for commercial customers, and improvements to the billing process, gleaned from the Advanced Metering Infrastructure program, that increased the percentage of customer bills issued on time.[110]

The information in the record, therefore, shows that Con Edison delivered a far superior system to what was originally envisioned or planned, thereby delivering significant value for customers and an enhanced customer experience. Moreover, these were largely changes that the Company could not have known and accounted for in its original business plan due to changes in the business and regulatory environment in the more than five years between planning and going live. And even if the Company did have perfect foresight into all the changes and challenges in the market over the ensuing half-decade, including the pandemic and the clean energy transition, its original cost estimates would have been much higher at the outset. Indeed, as Con Edison

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107 DPS-1-1, Supplemental 2, Attachment 4.

108 *Id.*

109 *Id.*

110 *Id.*

showed through its project cost modeling, its final costs were lower than expected for all the increased value it delivered to customers.[111]

C. The May 16 Order Erred in Concluding That Con Edison Should Have Omitted Some Unspecified Features from Its Customer Service System.

The May 16 Order also relied on an error of fact when it concluded that "[t]he Company should have limited the customer enhancements it chose to undertake as the new CSS project progressed."[112] That conclusion relies on three unstated and unsupported factual premises: first, that the Company's additional work delivered mere "enhancements" to the customer service system, rather than necessary components of the system; second, that the Company could have implemented a fully functional customer service system without all of the additional work it undertook; and third, that the Company's costs would have been significantly different if it had chosen not to undertake some of that work. Each premise, however, is factually incorrect.

The May 16 Order incorrectly described the additional work that Con Edison and its vendors performed on its customer service system as mere "enhancements." That is incorrect. The Company needed to accommodate new business and regulatory changes that developed over time or it would have delivered an inferior product that did not meet the needs or expectations of customers and stakeholders. Notably, even though Con Edison produced a wealth of detail on the additional work performed, the May 16 Order did not identify a single functionality that the Company should have omitted from its system. Nor did the May 16 Order identify a single functionality that was unnecessary or imprudent. To the extent the May 16 Order implied that extensions and integrations that improved the customer experience were unnecessary or optional, it did not explain why and finds no support in the record before the Commission.

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111 *Id.*, Attachment 11.

112 May 16 Order, p. 14.

The May 16 Order's conclusion that Con Edison should have omitted some unspecified functionalities from its system also ignores the practical realities of software development. This was not a case where the Company simply did more work in the same amount of time. Instead, a major driver of its cost exceedance was the prudent decision to extend the system's go-live date from May to September, and again from September to October. These extensions were necessary, however, to complete testing. That testing began later than expected and took longer than originally planned because of the additional work required to design and build a customer service system that could handle such a large and evolving suite of functions and the additional testing efforts undertaken in the wake of the situation at Central Hudson. And, as shown above, many of those changes were due to new business and regulatory needs and customer expectations that developed in the five years after Con Edison filed the project's original business plan.

Indeed, the May 16 Order is inconsistent in its approach to the additional work performed. On the one hand, the Order stated—incorrectly—that Con Edison did not deliver a system that was "materially different" from what was originally envisioned.[113] In the very next paragraph, however, it suggested that Con Edison could have dispensed with some of this work. It does not make sense that, under the May 16 Order, Con Edison did both too much and not enough to merit the temporary accounting treatment it sought. For these reasons, the May 16 Order committed further errors of fact.

[113] *See* Section IV.A.2, *supra*.

D. The May 16 Order Erred By Not Applying the Prudence Standard to Risk Mitigation Spending.

The May 16 Order also committed legal error by not applying the prudence standard to risk mitigation spending above the cap. The Order denied recovery on the grounds that "the Company's original business plan should have planned for and included the costs of measures sufficient to ensure its customers did not experience any harm or issues related to the transition to the new CSS."[114] But the test under the prudence standard is whether Con Edison acted reasonably to address new information and new concerns that arose while it was undertaking the project, such as the information it learned from observing Central Hudson's experience implementing a new customer service system. In light of the unforeseeable situation at Central Hudson, Con Edison—in consultation with Department Staff—significantly ratcheted up its testing standard. Given the high level of public concern over customer billing errors following Central Hudson,[115] the Company set its accuracy threshold for parallel bill testing at 99.97 percent, higher than what is typically expected. Because of reported problems for energy services companies in Central Hudson's service territory,[116] the Company instituted a second seven-week testing program for its retail choice program. And because of significant reported problems with CDG and other complex billing scenarios,[117] Con Edison created a dedicated CDG workstream that had not existed before. As the environment for utility billing systems changed, the Company had to respond to the risks it encountered in that environment, and it did so prudently and with great success.

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114 May 16 Order, p. 15.

115 *See, e.g.*, Central Hudson Investigation Report, pp. 14-15.

116 *See, e.g.*, *id.*, pp. 18-21.

117 *See, e.g.*, *id.*, pp. 14-15, 17-18.

In this light, Con Edison's increased spending to mitigate the risks to customers was indisputably prudent. In fact, after issues arose with Central Hudson's implementation of its new customer service system in late 2021, Con Edison would have been irresponsible if it did not take additional measures to safeguard against the types of billing errors that occurred at Central Hudson—in particular, by delaying implementation to perform increased testing. The May 16 Order, however, penalizes Con Edison for that very prudence.

Similarly, the May 16 Order notes that the Company "extend[ed] the go-live date by four months to provide additional time for testing and for other go-live criteria to be met."[118] But it would have been irresponsible of Con Edison to go live with its new system before meeting all its go-live criteria, so the additional capital spending caused by that delay was likewise prudent. Indeed, had the Company gone forward without meeting all its go-live criteria and problems emerged, it would undoubtedly be facing a penalty proceeding like Central Hudson. Instead, the Company has received national awards for the success of its implementation effort.[119]

The May 16 Order also committed an error of fact to the extent it suggested that Con Edison did not include meaningful risk-mitigation measures in its original business plan. In particular, that plan included robust testing protocols and procedures to identify, assess, handle,

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118 *Id.*, pp. 14-15.

119 The May 16 Order also committed a second error of law when it stated that Con Edison's original business plan should have included "measures sufficient to *ensure* its customers did not experience *any* harm or issues related to the transition to the new CSS." May 16 Order, p. 15 (emphasis added). To "ensure" is to "make sure, certain, or safe"—or, in other words, to "guarantee." "Ensure," *at* https://www.merriam-webster.com/dictionary/ensure. But it is impossible—at any cost—to "ensure" that customers do not experience "any" issues related to the transition to the new system. Every major IT system implementation carries a near-certainty of post-implementation issues; the real question is how severe and prolonged the issues are. That is especially true of complex customer service systems, as every major implementation has resulted in some issues for customers that the utility then has to address. Had that been the applicable performance standard, Con Edison's costs would have been much higher at the outset.

and monitor risk.[120] But after evaluating the events at Central Hudson, the Company acted prudently in adding to those initial measures.

IV. The May 16 Order Erred in Denying the Company's Petition to Capitalize the Incremental Costs Associated with Its Efforts to Remediate Billing Exceptions.

The May 16 Order committed errors of fact and law in denying Con Edison's petition with respect to its costs to prepare data for conversion by remediating billing exceptions before the Company moved into the new customer service system.

The May 16 Order first erred in concluding that the Company should not be able to treat these costs as capital expenditures without addressing Con Edison's argument that it could treat these costs as capital.[121] In support of that conclusion, the May 16 Order noted that the Company "typically" treats such costs as operating expenses, rather than capital, and that the Company's revenue requirement includes costs to address billing issues.[122]

But that generalization ignores the unprecedented context for this work. The May 16 Order was correct to the extent that the Company "typically" treats such work as an expense, for which it receives funds through rates sufficient to offset the cost of a typical amount of activity.[123] But this was not a "typical" situation. If it were, Con Edison would not have gone to extraordinary lengths to reduce its backlog of billing exceptions nearly to zero. Instead, this was an atypical exercise in updating customer data before the Company converted that data into the new customer service system. One of the key lessons learned from the situation at Central Hudson was that errors are more likely in accounts transferred to a new system with unresolved billing issues. Accordingly, the Company undertook an extraordinary effort, including external

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120 *See* New CSS Business Plan, pp. 40-42.

121 *See* May 16 Order, p. 15.

122 *Id.*

123 *Id.*

vendor resources, to bring its backlog well below normal levels provided for in rates *only* because doing so was necessary to successfully implement its new customer service system.

Moreover, the Commission had specifically cited "data cleanup" as an essential component of the project when it first directed the Company to go forward with its plan to replace its customer service system.[124] Con Edison's work to prepare its customer data for conversion by remediating billing exceptions was consistent with the plan approved by the Commission, though the need for this particular level of "data cleanup" would not become apparent until after the Central Hudson situation came to light years later.

Finally, the Company acted properly in categorizing this work as capital spending because it was necessary to make the new system work correctly. Here, based on the precedent at Central Hudson, Con Edison's new customer service system likely would not have worked as intended had it imported a typical level of unresolved billing exceptions from the Company's legacy system. Accordingly, this data preparation effort was necessary to make the system work as intended, and the Company was correct to treat it as capital spending.

The May 16 Order further erred in concluding that Con Edison could have or should have raised the remediation of billing exceptions in its 2022 electric and gas rate cases.[125] While Con Edison first became aware of this issue in or around December 2021, following the first reports of billing problems at Central Hudson, it did not begin to identify which billing exceptions would require remediation until June 2022, finish identifying the scope of the work needed until the fall of 2022, or realize its full staffing needs until early 2023. As such, the Company could not have

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124 *See* Case 16-E-0060 et al., 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, *Joint Proposal* (filed Sept. 19, 2016), pp. 89-90; *id.*, *Order Approving Electric and Gas Rate Plans* (issued Jan. 25, 2017), pp. 85-86 (approving this section of the Joint Proposal).

125 May 16 Order, pp. 15-16.

raised this issue in its initial rate case testimony in January 2022, its updated testimony in April 2022, or its rebuttal testimony in June 2022. Had the Company raised the issue at those times, it would have done so without a clear plan of action or a clear cost requirement. Moreover, the Company could not have shown at those times that its future billing exception remediation work would cause it to exceed the project's cost cap.

Indeed, as with the other costs discussed above,[126] the May 16 Order faults Con Edison for not providing rate-case quality information but also insists that Con Edison should have sought permission for these costs earlier, when it had far less information than it provided here. The May 16 Order cannot have it both ways.

Conclusion

Cost caps are antithetical to the fundamentals of cost-of-service rate making and therefore should be used sparingly and implemented with great care. They can be effective tools to protect customers between rate cases where there is little ability for utilities to manage cost variations on a portfolio basis. But they can also be misused to deny recovery for prudent expenditures. That is what happened here. By any objective measure, Con Edison's implementation of its new customer service system was a rousing success compared to similar projects at peer utilities in New York State and nationwide. Con Edison succeeded where others failed because it did not treat its business plan as frozen in amber. Instead, it adjusted to the increased complexity of its work and addressed emerging risks as it continued to learn from the experience of other utilities. The Commission should encourage such diligence.

The May 16 Order erred by making critical factual and legal errors. Among other things, it incorrectly concluded that the Company could and should have raised the cost exceedance in

[126] *See* Section III, *supra*.

its 2022 rate case, relied on an inapplicable regulation, ignored quarterly reports filed publicly with the Commission, penalized Con Edison for exercising its right to petition the Commission, decided the wrong question, and applied the wrong standard of review to evaluate cost recovery. Accordingly, the Commission should grant rehearing, authorize the requested temporary accounting treatment, and direct Con Edison to include the spending above the cap in its next base rate case. Alternatively, if the Commission determines it must address cost recovery at this point in this proceeding, it should grant rehearing and either grant full cost recovery based on the record or set the case for hearing and potential settlement negotiations.

Dated: New York, New York
June 17, 2024

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

By: /s/ *Joshua A. Konecni*

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Exhibits

Exhibit A – Quarterly CSS Implementation Reports

Exhibit B – Press Release Announcing CS Week Award

Exhibit A

CSS Implementation

Status Report

July 17, 2020

I. Introduction

Consolidated Edison Company of New York, Inc. ("Con Edison" or the "Company") submits its first semi-annual report of the implementation status associated with Con Edison's Customer Service System ("CSS") Implementation Project.[1] As of June 30, 2020, the CSS project is on-schedule.

The CORE[2] CSS Implementation project started in January 2020. For the first six months, CORE focused on two phases: Planning and Design. The Planning phase, completed in the first quarter, included the development of our Project Plan and activities around onboarding new team members and finalizing workshop schedules. Workshops are held with various users to vet the new CSS requirements and occur throughout 2020. Overall engagement in this project has been strong in all workshops.

There are a total of 17 Business Processes requiring 248 workshops to create 21 Business Process Design (BPD) documents. Some of the business processes include managing Start-Stop Service, Contacts, Credit and Collections, and the like.

For the remainder of 2020, CORE will be in the Design phase, and reviewing the identified requirements and developing the BPD documents that are the blueprints for the implementation of the new system.

II. CSS Project Update

Some highlights of the work accomplished between January 1 and June 30, 2020 include:

- Completing nine Business Processes
- Completing four BPD documents
- Completing 132 Workshops, which were conducted virtually, with 60 or more Company business subject matter experts (SMEs) and CORE Team members in attendance
- Onboarding an independent project Quality Assurance (QA) vendor, TMG Consulting, to

[1] Cases 19-E-0065, 19-G-0066, Con Edison Electric and Gas Rates, *Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plan* ("Rate Plan"), January 16, 2020.
[2] Con Edison's CSS implementation team is called CORE (Con Edison and Orange & Rockland Engagement).

monitor the project's ongoing success in meeting the business, schedule and financial goals, identified in the business case

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III. Project Cost Performance

a. Project Cost Variance (budget v. actual)[3]

The CSS implementation project is subject to a $421 million cap on capital expenditures per the 2020 Rate Order.[4] As the project is not expected to close to plant during the current electric and gas rate plans, the Company's revenue requirements do not reflect any carrying costs associated with CSS. For 2020 (RY 1), the Company's rate plans forecasted CSS capital expenditures of $76.3 million.

The Company's electric and gas rate plans include a downward-only O&M reconciliation over three years for the CSS project. At the end of the three-year period, any deferral amount will be used for CSS implementation, as authorized in future rate plans. Any deferral amount at the end of CSS implementation will be credited to customers.[5] For RY1, the Company's rate plans forecasted CSS O&M expenditures of $5.2 million.[6]

[3] This report is being filed pursuant to the Con Edison Rate Order and, as such, discusses only the Con Edison portion of the project costs. For informational purposes, cost tables include the full project costs and the O&R allocation of such costs.

[4] Rate Order, Joint Proposal, Section D.4.a. The Con Edison portion is capped at $421 million. The O&R allocation for the project is projected to be $34M, for a total capital cost of $455 million for the project.

[5] *Id.* at Section E.16.

[6] The $5.2 million reflects the Company's O&M budget across all three services; the electric and gas expenses subject to the aforementioned reconciliation is $4.6 million.

Thousands (000)	June 2020 YTD			2020 Year-End		
CECONY	**Actuals**	**Budget**	**Variance**	**Target**	**Budget**	**Variance**
Capital	$ 21,490	$ 32,143	$ (10,653)	$ 52,316	$ 76,316	$ (24,000)
O&M	1,200	2,577	(1,377)	3,236	5,186	(1,950)
Total CECONY	22,690	34,720	(12,030)	55,552	81,502	(25,950)
O&R						
Capital	$ 1,580	$ 2,935	$ (1,355)	$ 4,159	$ 5,937	$ (1,778)
O&M	84	287	(203)	247	573	$ (326)
Total O&R	1,664	3,222	(1,558)	4,406	6,510	(2,104)
Total CECONY & O&R	**$ 24,354**	**$ 37,942**	**$ (13,588)**	**$ 59,958**	**$ 88,012**	**$ (28,054)**

As shown in the chart above, for RY 1, Con Edison projects a capital variance of $24 million and an O&M variance of approximately $2 million, relative to the forecasts in its rate plans. The capital variance is driven by updates to the CSS Business Plan as well as delays due to the New York State PAUSE on construction activities. The projection of CSS capital costs in the rate plans were based on estimates made in 2018 in preparation for the Company's January 2019 rate case filing. In 2019, the CSS contract was finalized with Solution Integrator based on a competitive bid. A detailed project plan was created during the last quarter of 2019 and first quarter of 2020. This detailed project plan provided visibility into the activities that had to be completed by year-end and resulted in revisions to the CSS Business Plan: for capital $19 million and for O&M $2 million. For capital, $19 million was reallocated from RY 1 as follows: $7 million to 2022 for system integration testing activities and $12 million to 2023 for user acceptance testing and deployment activities. The remaining $5 million in capital underrun is due to construction delays under New York State's PAUSE. This work is now expected to be completed in RY 2.

b. Change Control Metrics (approved v. rejected)

Scope and change management procedures for the CSS Implementation project are documented in the *Con Ed CSS Implementation Planning Program Management Playbook.*

For the last six months, the project had one change request, which did not impact the project

timeline and there was no financial impact. In April 2020, a change request was submitted by the Organizational Change Management team to swap milestones due to the COVID situation at the time: the Stakeholder Analysis Matrix (due June 28) with the High Level Communication Plan (due August 30). The change request was reviewed by all stakeholders and approved in accordance with the CSS project's change management procedures.

IV. Project Schedule Performance

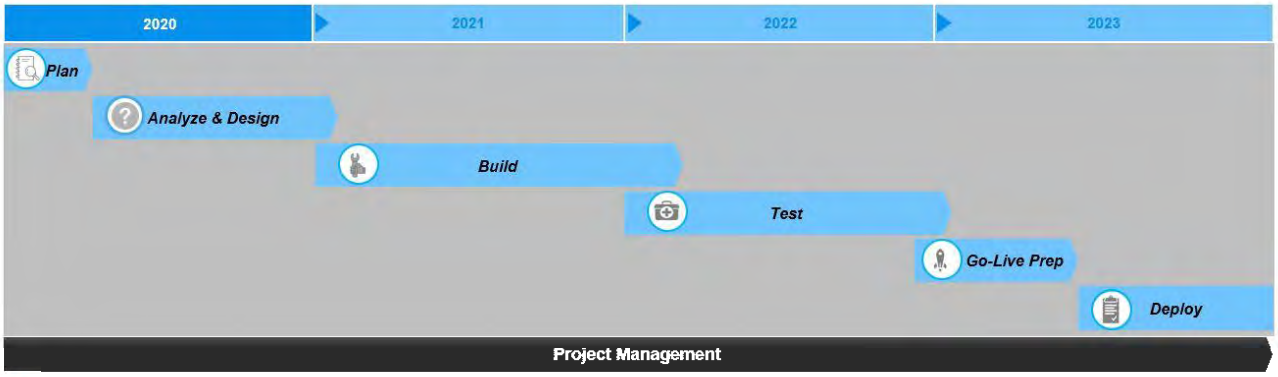
a. Schedule Adherence
b. Project Milestones

The CSS Implementation project is currently on schedule and meeting the planned sequence of deliverables and milestones. As of June 30, 2020, the Planning Phase was 100% complete, the Analyze and Design Phase was 19% complete, and the overall project progress showed 12% complete.

For the CORE project there are a total of 45 milestones through 2023. For 2020, there are twelve milestones, six of which have been completed on schedule and we expect to complete those planned by the end of this year.

Milestone #	Phase	Milestone Description	Status
1	Planning & Initiation	Program Kickoff	Completed
2	Planning & Initiation	Boot Camp session/ Method Adoption Completion	Completed
3	Planning & Initiation	Planning Completion	Completed
4	Analyze and Design	Organizational Change Management Plan Completion	Completed
5	Analyze and Design	Workshops Completion (Customer Contact Service)	Completed
6	Analyze and Design	Stakeholder Analysis Matrix Completion	Completed
7	Analyze and Design	Data Conversion Strategy Completion	In Progress
8	Analyze and Design	Workshops Completion (Premise Management, Usage Management, Field Services)	In Progress
9	Analyze and Design	Change Impact Analysis Tracker Completion	In Progress
10	Analyze and Design	Workshops Completion (Premise Management, Usage Management, Field Services)	In Progress
11	Analyze and Design	Workshops Completion (Metering, Rates & Billing)	In Progress
12	Analyze and Design	Training Needs Assessment Completion	In Progress

Project Timeline



- **Plan:** Define project plans for major workstreams and conduct final preparations for Analyze & Design phase.
- **Analyze & Design:** Break down the detailed business process flows into more granular individual activity and steps to determine how the process changes should be designed to support the defined To-Be business processes.
- **Build:** Refine the system requirement, configuration, integration, extension, and data conversion designs until they are concrete and detailed enough to be built.
- **Test:** Test every aspect of the solution to ensure that the end-to-end product works as expected. Training also begins during this phase so that future system users are given the foundational knowledge required to smoothly transition to the new system at Go-Live.
- **Go-Live Prep:** Once the system is fully tested, the effort can shift from building and testing the solution to preparing for it to be put in place.
- **Deploy:** Conduct all Go-Live activities and manage any system issues or defects that may arise once the system is live will so as to address and resolve them during this phase. In addition, this phase will extend beyond the "go-live" date to support operations as the new system is deployed.

V. Earned Value

a. Cost Performance Index

Cost Performance Index (CPI) measures the financial effectiveness and efficiency of a project. It represents the amount of completed work for every unit of cost spent. This ratio is calculated by dividing the budgeted cost of work completed by the actual cost of work performed.

The Earned Value calculations are as follows:

Planned Value (PV) is the budgeted cost for the work scheduled to be done.

Actual Costs (AC) is the money spent for the work accomplished.

Earned Value (EV) is the percent of the total budget completed at a point in time. EV = % complete x budget

Cost Performance Index CPI = EV/AC

Schedule Performance Index SPI = EV/PV

For the six months ended June 30, 2020, the CSS Implementation Project is showing a CPI of 1.28 or that the project in underspending against earned.

b. Schedule Performance Index

Schedule Performance Index (SPI) measures how close the project is to being completed compared to the schedule. The ratio is calculated by dividing the budgeted cost of work performed by the planned value.

For the six months ended, June 30, 2020, the CSS Implementation Project is showing a SPI of 1.06 or that CSS in slightly ahead of schedule.

As the project progresses a trend in both indexes will develop over time and be evaluated in future reports.

VI. Organizational Change Management ("OCM")

OCM Strategy Document

A copy of the OCM Strategy document will be provided to Staff. A follow-up meeting with Staff will be held to discuss appropriate reporting requirements for this metric in the future.

CSS Implementation

Status Report

January 15, 2021

I. Introduction

Consolidated Edison Company of New York, Inc. ("Con Edison" or the "Company") submits its December 31, 2020 update of the implementation status associated with Con Edison's Customer Service System ("CSS") Implementation Project.[1] The CSS project remains on-schedule.

The CORE[2] CSS Implementation project started in January 2020. In the project's first year, CORE focused on two phases: Planning and Design. The Planning phase, completed in the first quarter of 2020, included the development of our Project Plan and activities around onboarding new team members and finalizing workshop schedules. Workshops were held throughout 2020 with various users to vet the new CSS requirements. Overall engagement in this project was strong in all workshops.

There are a total of 17 Business Processes requiring 248 planned workshops[3] to create 21 Business Process Design ("BPD") documents. Some of the business processes include managing Start- Stop Service, Contacts, and Credit and Collections.

Starting in the second quarter of 2020, CORE focused on the Design phase, and reviewed the identified requirements and developed the BPD documents that are the blueprints for the implementation of the new system.

II. CSS Project Update

Some highlights of the work accomplished between July 1st and December 31, 2020 include:

- Completed 110 Business Functional Workshops and 115 IT Workshops across eight Business Processes, engaging approximately 200 subject matter experts and incorporating their business and technical knowledge into 21 future state BPD documents.

[1] Cases 19-E-0065, 19-G-0066, Con Edison Electric and Gas Rates, *Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plan* ("Rate Plan"), January 16, 2020.
[2] Con Edison's CSS implementation team is called CORE (Con Edison and Orange & Rockland Engagement).
[3] The Team only held 242 of the 248 planned workshops. The 242 workshops provided sufficient information to cancel the remaining six workshops.

- Designed and implemented 18 Oracle system environments to prepare for solution development, testing, and training activities
- Conducted 41 Stakeholder Interviews to receive baseline knowledge of the CORE project
- Held 52 Training Needs Interviews to understand training needs and preferences across impacted stakeholder groups
- As required by the rate plan, hosted a PSC Stakeholder meeting in October 2020, communicating CORE status and answering stakeholder questions
- Expanded team to approximately 300 Company and vendor resources (onshore and offshore)

III. Project Cost Performance

a. Project Cost Variance (budget v. actual)[4]

The CSS implementation project is subject to a $421 million cap on capital expenditures per the 2020 Rate Order.[5] As the project is not expected to close to plant during the current electric and gas rate plans, the Company's revenue requirements do not reflect any carrying costs associated with CSS. For 2020 (RY 1), the Company's rate plans forecasted CSS capital expenditures of $76.3 million.

The Company's electric and gas rate plans include a downward-only O&M reconciliation over three years for the CSS project. At the end of the three-year period, any deferral amount will be used for CSS implementation, as authorized in future rate plans. Any deferral amount at the end of CSS implementation will be credited to customers.[6] For RY1, the Company's rate plans forecasted CSS O&M expenditures of $5.2 million.[7]

[4] This report is being filed pursuant to the Con Edison Rate Order, however, for informational purposes, cost tables include the full project costs and the O&R allocation of such costs.
[5] Rate Order, Joint Proposal, Section D.4.a. The Con Edison portion is capped at $421 million. The O&R allocation for the project is projected to be $34 million, for a total capital cost of $455 million for the project.
[6] *Id.* at Section E.16.
[7] The $5.2 million reflects the Company's O&M budget across all three services; the electric and gas expenses subject to the aforementioned reconciliation is $4.6 million.

Thousands (000)	2020 Year-End		
CECONY	**Actuals**	**Budget**	**Variance**
Capital	$ 51,950	$ 76,316	$ (24,366)
O&M	$ 2,726	$ 5,186	$ (2,460)
Total CECONY	$ 54,676	$ 81,502	$ (26,826)
O&R			
Capital	$ 3,543	$ 5,937	$ (2,395)
O&M	$ 206	$ 573	$ (367)
Total O&R	$ 3,748	$ 6,510	$ (2,762)
Total CECONY & O&R	**$ 58,424**	**$ 88,012**	**$ (29,588)**

As shown in the chart above, at the end of RY 1, Con Edison had a capital variance of $24.4 million and an O&M variance of approximately $2.4 million, relative to the forecasts in its rate plans.

Of the $24.4 million capital variance, much ($19.4 million) is driven by the detailed project plan as described in the July 15, 2020 report. This detailed project plan provided visibility into the activities that had to be completed by year-end and resulted in revisions to the CSS budget plan: for capital $19 million and for O&M $2 million. For capital, $19.4 million was reallocated from RY 1 as follows: $7 million to 2022 for system integration testing activities and $12 million to 2023 for user acceptance testing and deployment activities. The remaining $5 million in capital underrun is due to construction delays for future CORE office space, which is now expected to be completed in RY 2. The O&M variance relates to the detailed project plan.

b. Change Control Metrics (approved v. rejected)

Scope and change management procedures for the CSS Implementation project are documented in the statement of work between Con Ed and the System Integrator Contractor.

Since the last CSS Implementation Status report, there have been no additional change requests.

IV. Project Schedule Performance

a. Schedule Adherence
b. Project Milestones

The CSS Implementation project is currently on schedule and meeting the planned sequence of deliverables and milestones.

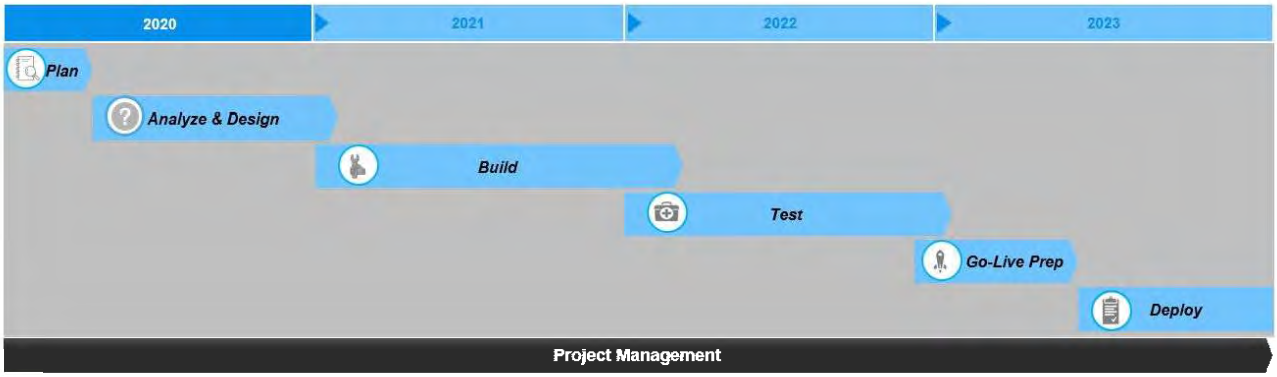
Progress has been made since the last project update:

	% Complete	
Phase	**June 30, 2020**	**December 31, 2020**
Planning	100%	100%
Analyze & Design	19%	74%
Overall Project Progress	12%	19%

For the CORE project there are a total of 45 milestones through 2023. For 2020, there are twelve milestones in the project plan. Since the last report, the final six 2020 milestones were completed.

Milestone #	Phase	Milestone Description	Status
1	Planning & Initiation	Program Kickoff	Completed
2	Planning & Initiation	Boot Camp session/ Method Adoption Completion	Completed
3	Planning & Initiation	Planning Completion	Completed
4	Analyze and Design	Organizational Change Management Plan Completion	Completed
5	Analyze and Design	Workshops Completion (Customer Contact Service)	Completed
6	Analyze and Design	Stakeholder Analysis Matrix Completion	Completed
7	Analyze and Design	Data Conversion Strategy Completion	Completed
8	Analyze and Design	Workshops Completion (Premise Management, Usage Management, Field Services)	Completed
9	Analyze and Design	Change Impact Analysis Tracker Completion	Completed
10	Analyze and Design	Workshops Completion (Premise Management, Usage Management, Field Services)	Completed
11	Analyze and Design	Workshops Completion (Metering, Rates & Billing)	Completed
12	Analyze and Design	Training Needs Assessment Completion	Completed

Project Timeline



- **Plan:** Define project plans for major workstreams and conduct final preparations for Analyze & Design phase.
- **Analyze & Design:** Break down the detailed business process flows into more granular individual activity and steps to determine how the process changes should be designed to support the defined To-Be business processes.
- **Build:** Refine the system requirement, configuration, integration, extension, and data conversion designs until they are concrete and detailed enough to be built.
- **Test:** Test every aspect of the solution to ensure that the end-to-end product works as expected. Training also begins during this phase so that future system users are given the foundational knowledge required to smoothly transition to the new system at Go-Live.
- **Go-Live Prep:** Once the system is fully tested, the effort can shift from building and testing the solution to preparing for it to be put in place.
- **Deploy:** Conduct all Go-Live activities and manage any system issues or defects that may arise once the system is live will so as to address and resolve them during this phase. In addition, this phase will extend beyond the "go-live" date to support operations as the new system is deployed.

V. Earned Value

a. Cost Performance Index

Cost Performance Index (CPI) measures the financial effectiveness and efficiency of a project. It represents the amount of completed work for every unit of cost spent. This ratio is calculated by dividing the budgeted cost of work completed by the actual cost of work performed.

The Earned Value calculations are as follows:

Planned Value (PV) is the budgeted cost for the work scheduled to be done.

Actual Costs (AC) is the money spent for the work accomplished.

Earned Value (EV) is the percent of the total budget completed at a point in time. EV = % complete x budget

Cost Performance Index CPI = EV/AC

Schedule Performance Index SPI = EV/PV

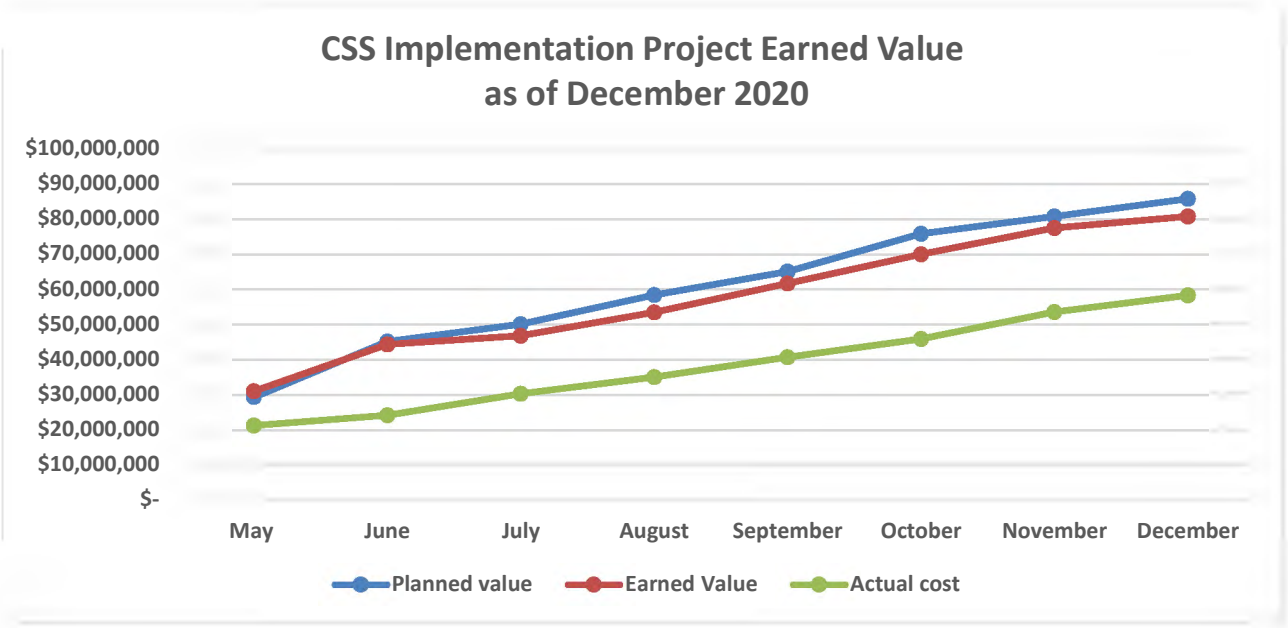
For the twelve months ended December 31, 2020, the CSS Implementation Project CPI averaged 1.53 for the year. At year end it is showing a CPI of 1.38 or that the project continues to underspend against earned.

b. Schedule Performance Index

Schedule Performance Index (SPI) measures how close the project is to being completed compared to the schedule. The ratio is calculated by dividing the budgeted cost of work performed by the planned value.

For the 2020 Earned Value (EV) look back ending December 31, 2020, the CSS Implementation shows good execution against an aggressive schedule with many parallel activities. The SPI shows constant progress never drifting too far from planned. At year end the SPI is .94.

The below chart shows the project started ahead of schedule when baselined in May. From that point it drifted slightly behind in July. The project execution was steady never dipping below a SPI of .92 and averaging .96 for the year. As anticipated the project experienced dips in the high deliverable months of August and October, followed by solid recoveries in September and November. By year end, the project completed all critical path deliverables and finished 101 of the 110 key deliverables targeted for 2020. This EV trend supports a conclusion that the CORE project has earned close to the planed value while underspending.



VI. Organizational Change Management ("OCM")

OCM Strategy Document and Update

The Organizational Change Management (OCM) team continues to progress against its change management strategy and training plans by engaging key Company stakeholders and commencing development of the program training strategy. The OCM team is executing targeted communications to keep stakeholders informed of project progress. The team has established a change champion network to support ongoing change management efforts throughout the lifecycle of the project. Development of the detailed training strategy, which will identify all groups that require training, as well as the primary methods by which they will be trained, is scheduled for completion by the end of March 2021.

CSS Implementation

Status Report

April 15, 2021

I. Introduction

Consolidated Edison Company of New York, Inc. ("Con Edison" or the "Company") submits its March 31, 2021 update of the implementation status associated with Con Edison's Customer Service System ("CSS") Implementation Project.[1] The CSS project remains on-schedule.

The CORE[2] CSS Implementation project has been progressing on schedule. The Analyze and Design phase, which started in second quarter 2020, was closed out at the end of February 2021.[3] Starting in March 2021, the Build and Unit Testing Phase commenced and will continue through March 2022. The Build and Unit Testing Phase will incorporate Con Edison's business requirements through the creation of technical designs, development and unit testing of system requirements to enhance the Oracle CC&B solution. Also included within this Phase will be the development and unit testing of all internal and external integration points to the Oracle CC&B solution. The System Testing Phase will consist of three cycles beginning in July 2021 and ending in January 2022 to test the functionality of the CC&B Solution for Con Edison works as expected. Additionally, the training strategy was completed in mid-March and training curriculum and logistics planning will continue throughout 2021.

II. CSS Project Update

CORE Team accomplishments for the first quarter of ,2021 include:

- Initiated a monthly Project Dependency/Degrees of Freeze meetings to synchronize and manage changes to legacy customer service applications and business processes with the CORE project.
- Held internal meetings with business owners of 3rd Party vendors to provide an overview

[1] Cases 19-E-0065, 19-G-0066, Con Edison Electric and Gas Rates, *Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plan* ("Rate Plan"), January 16, 2020.

[2] Con Edison's CSS implementation team is called CORE (Con Edison and Orange & Rockland Engagement).

[3] As described in prior reports, this phase reviewed the identified requirements and developed the Business Process Design documents that are the blueprints for the implementation of the new system.

of the CORE project and set expectations for communication with external vendors.

- Completed all Functional Designs for the base scope by March 31.
- All 20 master and transactional data conversion designs were completed. These designs include conversion requirements not only for CSS, CIMS and Steam, but also 13 secondary systems.
- Established six additional infrastructure environments (36 in total) e.g., – Oracle Utility Analytics, Testing, Data Conversion, Batch, Spectrum.
- Procured Oracle ExaData Hardware to establish CC&B Disaster Recovery environment.
- Hosted a meeting with PSC Staff on February 25, 2021, communicating a CORE status update.

III. Project Cost Performance

a. Project Cost Variance (budget v. actual)[4]

The CSS implementation project is subject to a $421 million cap on capital expenditures per the 2020 Rate Order.[5] As the project is not expected to close to plant during the current electric and gas rate plans, the Company's revenue requirements do not reflect any carrying costs associated with CSS. For 2021 (RY 2), the Company's rate plans forecasted CSS capital expenditures of $105.6 million.

The Company's electric and gas rate plans include a downward-only O&M reconciliation over three years for the CSS project. At the end of the three-year period, any deferral amount will be used for CSS implementation, as authorized in future rate plans. Any deferral amount at the end of CSS implementation will be credited to customers.[6] For RY2, the Company's rate

[4] This report is being filed pursuant to the Con Edison Rate Order and, as such, discusses only the Con Edison portion of the project costs. For informational purposes, cost tables include the full project costs and the O&R allocation of such costs.
[5] Rate Order, Joint Proposal, Section D.4.a. The Con Edison portion is capped at $421 million. The O&R allocation for the project is projected to be $34 million, for a total capital cost of $455 million for the project.
[6] *Id.* at Section E.16.

plans forecasted CSS O&M expenditures of $3.7 million.[7]

The following chart details the first quarter 2021 budget results:

Thousands (000)	Q1 2021			Project To-Date Cost		
CECONY	**Actuals**	**Budget**	**Variance**	**Actuals**	**Budget**	**Balance**
Capital	$ 20,848	$ 27,319	$ (6,470)	$ 150,125	$ 421,000	$ 270,875
O&M	$ 1,172	$ 1,275	$ (103)	$ 4,002	$ 36,000	$ 31,998
Total CECONY	$ 22,020	$ 28,593	$ (6,573)	$ 154,127	$ 457,000	$ 302,873
O&R						
Capital	$ 1,397	$ 1,895	$ (498)	$ 11,220	$ 34,000	$ 22,780
O&M	$ 80	$ 89	$ (9)	$ 297	$ 3,000	$ 2,703
Total O&R	$ 1,477	$ 1,984	$ (507)	$ 11,517	$ 37,000	$ 25,483
Total CECONY & O&R	$ 23,498	$ 30,577	$ (7,080)	$ 165,644	$ 494,000	$ 328,356

Project To-Date Cost Budget includes total project O&M through 2023

As shown in the chart above, at the end 1Q 2021, Con Edison had a capital variance of $6.4 million and an O&M variance of approximately $103,000, relative to the forecasts in its rate plans.

Of the $6.4 million capital variance, $3.4 million is related to the timing of legacy IT integration scope and $3 million is due to construction delays for potential CORE office space. The O&M variance relates to the detailed project plan and timing. The capital and O&M underruns through the end of the first quarter will be reserved for use in the future quarters as the detailed project plan evolves. As discussed above, none of the capital costs are included in the Company's revenue requirements and any O&M underrun at the end of the project will be credited to customers.

[7] The $1.3 million reflects the Company's O&M budget across all three services; the electric and gas expenses subject to the aforementioned reconciliation is $4.6 million.

b. Change Control Metrics (approved v. rejected)

Scope and change management procedures for the CSS Implementation project are documented in the statement of work between Con Ed and the System Integrator Contractor.

The project has a total of seven approved change requests. Three change requests were approved in the first quarter of 2021. All the change requests have zero-dollar impact to the project and the purpose was for better project alignment. The changes pertained to modifying the language of a deliverable description, transferring a deliverable from one milestone to another and transfer a phase-exit criteria, specifically Test plan and strategy, from the Analysis and Design Phase to Build and UT Phase.

IV. Project Schedule Performance

a. Schedule Adherence
b. Project Milestones

The CSS Implementation project is currently on schedule and meeting the planned sequence of deliverables and milestones.

Progress has been made since the last project update:

		% Complete	
Phase	**Dates**	**December 31, 2020**	**March 31, 2021**
Planning	1/2/20 – 3/31/20	100%	100%
Analyze & Design	4/1/20 – 2/26/21	74%	99%
Build & User Testing	1/4/21 – 3/31/22	-	29%
Overall Project Progress		19%	33%

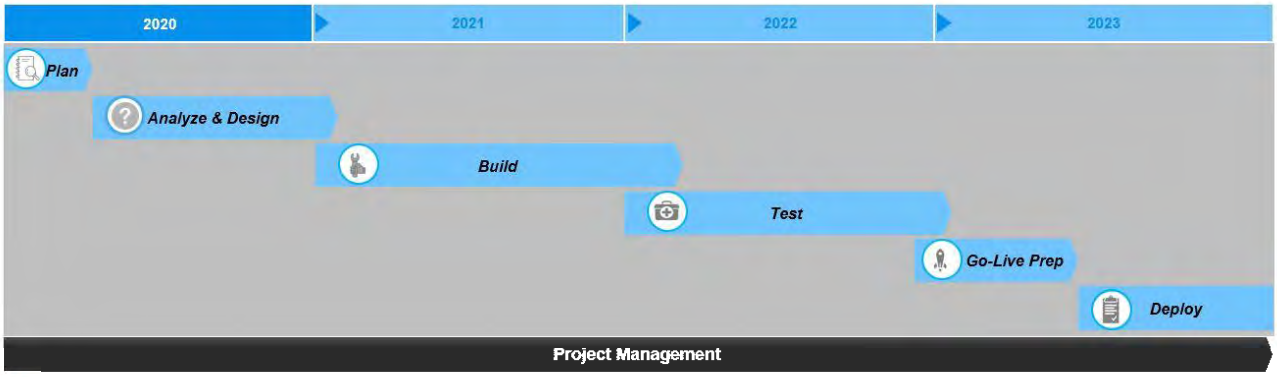
For the CORE project there are a total of 45 milestones through 2023. Since the last report, all twelve 2020 milestones were completed. There are fourteen 2021 milestones in the project plan and four were completed as of March 31, 2021. The Company has completed the design

phase and is currently working with our Solution Integrator on defining additional milestones for incremental project changes discovered in the design phase that will be contained in the total approved budget.[8]

2021 Milestones			
Milestone #	**Phase**	**Milestone Description**	**Status**
13	Analyze and Design	Data Conversion Strategy Completion	Completed
14	Analyze and Design	Training Needs Assessment Completion	Completed
15	Analyze and Design	Transaction Data Mapping Completion	Completed
16	Analyze and Design	Functional Design Phase Completion and Training Strategy Completion	Completed
17	Analyze and Design	Technical Specifications Phase Completion and Build and Unit Test Completion - Iteration 1	In Progress
18	Build & User Testing	Technical Specifications Phase Completion and Build and Unit Test Completion - Iteration 1	In Progress
19	Build & User Testing	System Test Plan & Strategy Testing	In Progress
20	Build & User Testing	Reports Design Complete and Completion of Business Readiness Strategy	In Progress
21	Build & User Testing	System Integration Test Plan, Scenarios, Test Cases and Scripts; Training Environment Plan	In Progress
22	Test	Data Load to System Test; Test Summary Dashboard	In Progress
23	Build & User Testing	Build and Unit Test Completion - Iteration 2	In Progress
24	Build & User Testing	Course Specifications Signed Off	In Progress
25	Build & User Testing	Build and Unit Test Phase Completion	In Progress
26	Build & User Testing	System Testing Completion - Cycle 2	In Progress

[8] If needed, additional milestone will be discussed in the next quarterly filing.

Project Timeline



- **Plan:** Define project plans for major workstreams and conduct final preparations for Analyze & Design phase.
- **Analyze & Design:** Break down the detailed business process flows into more granular individual activity and steps to determine how the process changes should be designed to support the defined To-Be business processes.
- **Build:** Refine the system requirement, configuration, integration, extension, and data conversion designs until they are concrete and detailed enough to be built.
- **Test:** Test every aspect of the solution to ensure that the end-to-end product works as expected. Training also begins during this phase so that future system users are given the foundational knowledge required to smoothly transition to the new system at Go-Live.
- **Go-Live Prep:** Once the system is fully tested, the effort can shift from building and testing the solution to preparing for it to be put in place.
- **Deploy:** Conduct all Go-Live activities and manage any system issues or defects that may arise once the system is live will so as to address and resolve them during this phase. In addition, this phase will extend beyond the "go-live" date to support operations as the new system is deployed.

V. Earned Value

a. Cost Performance Index

Cost Performance Index (CPI) measures the financial effectiveness and efficiency of a project. It represents the amount of completed work for every unit of cost spent since January 2020 when the Solution Integrator (SI) started. This ratio is calculated by dividing the budgeted cost of work completed by the actual cost of work performed.

The Earned Value calculations are as follows:

Planned Value (PV) is the budgeted cost for the work scheduled to be done.

Actual Costs (AC) is the money spent for the work accomplished.

Earned Value (EV) is the percent of the total budget completed at a point in time. EV = % complete x budget

Cost Performance Index CPI = EV/AC

Schedule Performance Index SPI = EV/PV

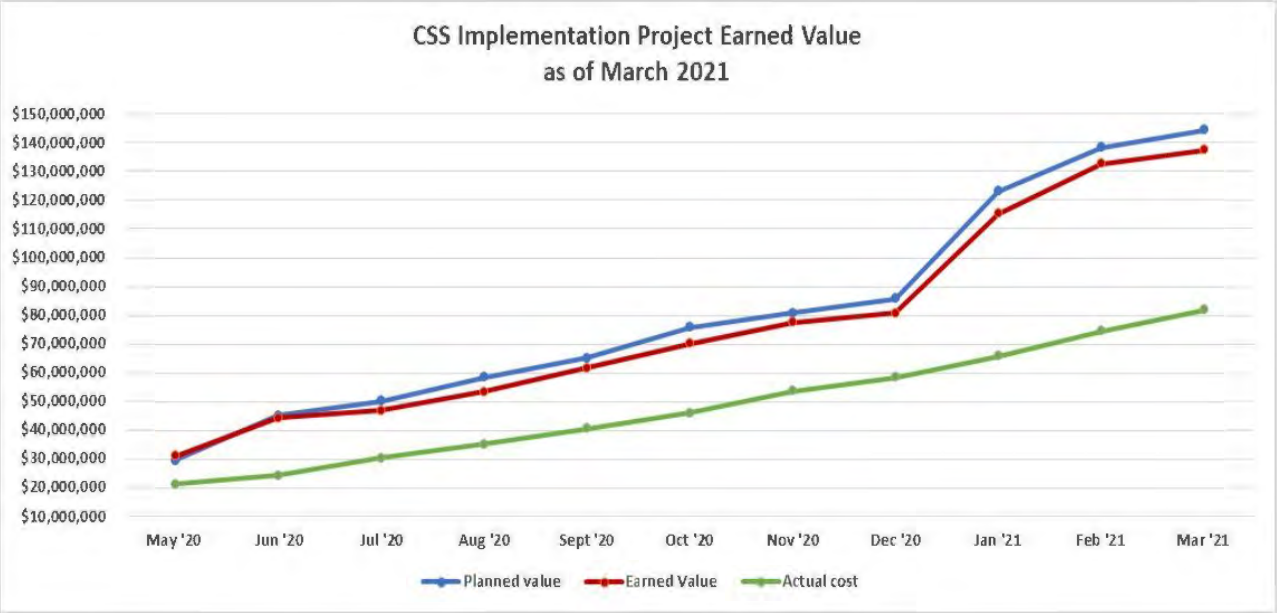
For the three months ended March 31, 2021, the CSS Implementation Project is showing a CPI of 1.68 or that the project in underspending against earned.

b. Schedule Performance Index

Schedule Performance Index (SPI) measures how close the project is to being completed compared to the schedule. The ratio is calculated by dividing the budgeted cost of work performed by the planned value.

For the 2021 Earned Value (EV) look back ending March 31, 2021, the CSS Implementation shows the projects ability to increase our deliverable output per plan as we wrap up design and transition to build (code development). The CPI continually showed underspending against earned and the SPI shows constant progress against the plan. As of March 31, 2021, the CPI was 1.68 and the SPI is .95.

The project execution has been steady with an average SPI of .95 for the three months ended March 31, 2021. The project transitioned from the design to build phase during the first quarter of 2021. As the project closes out the design phase a few items remain for recently identified work or clarifications. Despite the remaining items the project net overall remains on schedule to the next major milestone. The EV trend supports a conclusion that the CORE project continues to earn close to the planed value while underspending.



VI. Organizational Change Management ("OCM")

OCM Strategy Document and Update

The Organizational Change Management (OCM) team continues to progress against its change management strategy and training plans by engaging key Company stakeholders and completing the development of the program training strategies including the training needs analysis and learning strategy. The OCM team continues to execute targeted communications to keep stakeholders informed of project progress and is leveraging its change champion network to support ongoing change management efforts throughout the lifecycle of the project. Efforts underway in Q2 2021 include completion of a user proficiency optimization plan to develop the approach and techniques to effectively build user proficiency and manage resources and operational activities throughout the system implementation, and development of the business readiness strategy to support organizational acceptance and sustainability of the Oracle CC&B implementation at go-live.

CSS Implementation

Status Report

July 15, 2021

I. Introduction

Consolidated Edison Company of New York, Inc. ("Con Edison" or the "Company") submits its 2021 second quarter update of the implementation status associated with Con Edison's Customer Service System ("CSS") Implementation Project.[1] The CSS project remains on-schedule.

The CORE[2] CSS Implementation project is on schedule:

- The Build and Unit Testing Phase started and will continue through March 2022. This phase incorporates Con Edison's business requirements through technical designs, development, and unit testing of system requirements to enhance the Oracle Customer Care and Billing ("CC&B") solution. The development and unit testing of all internal and external integration points to the Oracle CC&B solution occurs in this phase.
- The three-cycle System Testing Phase began in July 2021 and will end in first quarter of 2022. This phase tests the functionality of the CC&B Solution to determine if it works as expected.
- Additionally, the ongoing training curriculum and logistics will continue throughout 2021.

II. CSS Project Update

CORE Team accomplishments for the second quarter of 2021 include:

- Finalized Operational Change Management Onboarding plan and scheduled onboarding sessions.
- Operational Change Management team began sending monthly communications to key internal stakeholders to provide information to their teams.

[1] Cases 19-E-0065, 19-G-0066, Con Edison Electric and Gas Rates, *Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plan* ("Rate Plan"), January 16, 2020.
[2] Con Edison's CSS implementation team is called CORE (Con Edison and Orange & Rockland Engagement).

- Met with Customer Assistance and Specialized Activities to gauge the effectiveness of a custom CCB screen that would provide historical usage, reads, and meter multiplier.
- Oracle CC&B v2.8 (latest on-premise version) has been evaluated, retrofitted and implemented for all for environments.
- Preparation for System Testing Phase – Cycle 1
    - Data Conversion team delivered the Mock 1 master data
    - All designs, build and configuration are ready for execution
    - Approved over 7,000 System Test Scripts
    - Prepared systems and employees involved in Testing which began on July 1, 2021
- Integration
    - Met with internal stakeholders regarding technical design and build commencement
    - Met with 3rd Party vendors regarding compatibility between the Build & Unit Testing and System Integration Testing phases

III. Project Cost Performance

a. Project Cost Variance (budget v. actual)[3]

The CSS implementation project is subject to a $421 million cap on capital expenditures per the 2020 Rate Order.[4] As the project is not expected to close to plant during the current electric and gas rate plans, the Company's revenue requirements do not reflect any carrying costs associated with CSS. For 2021 (RY2), the Company's rate plans forecasted CSS capital expenditures of $105.6 million.

[3] This report is being filed pursuant to the Con Edison Rate Order and, as such, discusses only the Con Edison portion of the project costs. For informational purposes, cost tables include the full project costs and the O&R allocation of such costs.

[4] Rate Order, Joint Proposal, Section D.4.a. The Con Edison portion is capped at $421 million. The O&R allocation for the project is projected to be $34 million, for a total capital cost of $455 million for the project.

The Company's electric and gas rate plans include a downward-only O&M reconciliation over three years for the CSS project. At the end of the three-year period, any deferral amount will be used for CSS implementation, as authorized in future rate plans. Any deferral amount at the end of CSS implementation will be credited to customers.[5] For RY2, the Company's rate plans forecasted CSS O&M expenditures of $3.7 million.[6]

The following chart details the second quarter 2021 budget results:

Thousands (000)	Q2 2021			Project To-Date Cost		
CECONY	**Actuals**	**Budget**	**Variance**	**Actuals**	**Budget**	**Balance**
Capital	$ 28,687	$ 27,168	$ 1,519	$ 178,812	$ 421,000	$ 242,188
O&M	$ 172	$ 143	$ 29	$ 4,174	$ 36,000	$ 31,826
Total CECONY	$ 28,859	$ 27,311	$ 1,549	$ 182,986	$ 457,000	$ 274,014
O&R						
Capital	$ 2,047	$ 1,909	$ 138	$ 13,267	$ 34,000	$ 20,733
O&M	$ 32	$ 67	$ (34)	$ 330	$ 3,000	$ 2,670
Total O&R	$ 2,079	$ 1,975	$ 104	$ 13,596	$ 37,000	$ 23,404
Total CECONY & O&R	$ 30,938	$ 29,286	$ 1,653	$ 196,582	$ 494,000	$ 297,418

Project To-Date Cost Budget includes total project O&M through 2023

As shown in the chart above, Con Edison had a capital variance of $1.5 million and an O&M variance of approximately $29,000 in the second quarter of 2021, relative to the forecasts in its rate plans.

The $1.5 million capital variance is due to timing of hardware and software costs. The O&M variance relates to the detailed project plan and timing. The capital and O&M overruns through the end of the second quarter will be offset in the future quarters as the detailed project plan evolves. As discussed above, none of the capital costs are included in the Company's revenue requirements and any O&M underrun at the end of the project will be credited to customers.

[5] *Id.* at Section E.16.

[6] The $1.3 million reflects the Company's O&M budget across all three services; the electric and gas expenses subject to the aforementioned reconciliation is $4.6 million.

b. Change Control Metrics (approved v. rejected)

Scope and change management procedures for the CSS Implementation project are documented in the statement of work between Con Ed and the System Integrator Contractor.

To date, the project has a total of twelve approved change requests:

In 2021, to date, there have been eight change requests – three were approved in the first quarter and five were approved in the second quarter of 2021. Except as noted below, most of these requests have no cost impact and transfer a deliverable from one milestone to another for better project alignment. The changes pertained to modifying the language of a deliverable description, transferring a deliverable from one milestone to another and transfer the phase-exit criteria, specifically Test plan and strategy, from the Analysis and Design Phase to Build and UT Phase.

One Change Request adds three additional milestones, and includes a cost impact of approximately $6.5 million or 1.5% of the total capital of $421M.[7] The change request pertained to a scope adjustment for functional design extensions discovered during requirement workshops, extending a key resource on the project, and additional impact analysis and resources needed to be performed an upgrade of the Oracle CC&B software from version 2.7.2 to version 2.8.

[7] Although there is an additional cost for change request, there is no impact to the overall project budget because the increased requirements were offset by contractor travel savings.

IV. Project Schedule Performance

a. Schedule Adherence

b. Project Milestones

The CSS Implementation project is currently on schedule and meeting the planned sequence of deliverables and milestones.

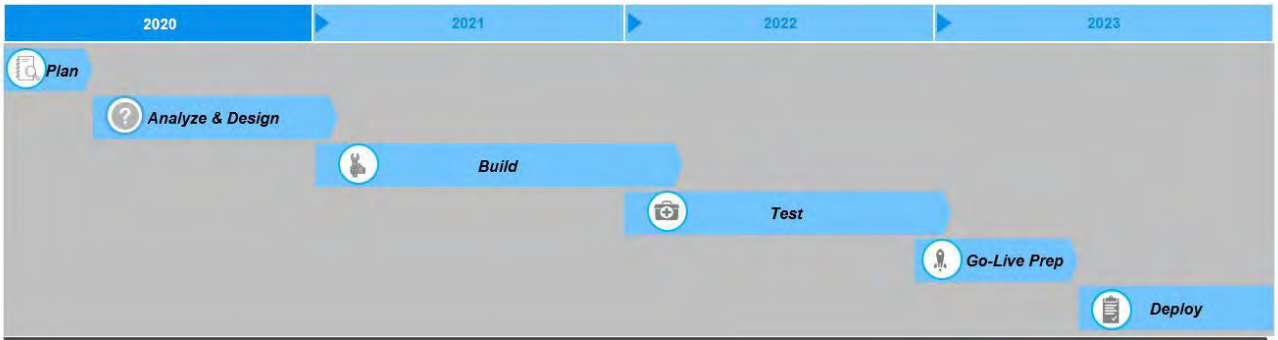
Progress has been made since the last project update:

		% Complete	
Phase	**Dates**	**March 31, 2021**	**June 30, 2021**
Planning	1/2/20 – 3/31/20	100%	100%
Analyze & Design	4/1/20 – 2/26/21	99%	100%
Build & User Testing	1/4/21 – 3/31/22	29%	57%
Overall Project Progress		33%	42%

For the CORE project, there are a total of 48 milestones through 2023. Since the last report, three milestones were added for additional scope related to extensions identified in section III.b of this report. For 2021, there are fourteen milestones in the project plan and seven have been completed as of June 30, 2021.

2021 Milestones				
Milestone #	**Phase**	**Milestone Description**	**Status**	**Scheduled Completion**
13	Analyze and Design	Data Conversion Strategy Completion	Completed	1/15/2021
14	Analyze and Design	Training Needs Assessment Completion	Completed	2/28/2021
15	Analyze and Design	Transaction Data Mapping Completion	Completed	3/15/2021
16	Analyze and Design	Functional Design Phase Completion and Training Strategy Completion	Completed	3/31/2021
17	Analyze and Design	Technical Specifications Phase Completion and Build and Unit Test Completion - Iteration 1	Completed	4/30/2021
18	Build & User Testing	Technical Specifications Phase Completion and Build and Unit Test Completion - Iteration 1	Completed	5/31/2021
19	Build & User Testing	System Test Plan & Strategy Testing	Completed	6/30/2021
20	Build & User Testing	Reports Design Complete and Completion of Business Readiness Strategy	In Progress	7/31/2021
21	Build & User Testing	System Integration Test Plan, Scenarios, Test Cases and Scripts; Training Environment Plan	In Progress	8/31/2021
22	Test	Data Load to System Test; Test Summary Dashboard	In Progress	9/30/2021
23	Build & User Testing	Build and Unit Test Completion - Iteration 2	In Progress	10/15/2021
24	Build & User Testing	Course Specifications Signed Off	In Progress	10/30/2021
25	Build & User Testing	Build and Unit Test Phase Completion	In Progress	11/30/2021
26	Build & User Testing	System Testing Completion - Cycle 2	In Progress	12/31/2021

Project Timeline



- **Plan:** Define project plans for major workstreams and conduct final preparations for Analyze & Design phase.
- **Analyze & Design:** Break down the detailed business process flows into more granular individual activity and steps to determine how the process changes should be designed to support the defined To-Be business processes.
- **Build:** Refine the system requirement, configuration, integration, extension, and data conversion designs until they are concrete and detailed enough to be built.
- **Test:** Test every aspect of the solution to ensure that the end-to-end product works as expected. Training also begins during this phase so that future system users are given the foundational knowledge required to smoothly transition to the new system at Go-Live.
- **Go-Live Prep:** Once the system is fully tested, the effort can shift from building and testing the solution to preparing for it to be put in place.
- **Deploy:** Conduct all Go-Live activities and manage any system issues or defects that may arise once the system is live will so as to address and resolve them during this phase. In addition, this phase will extend beyond the "go-live" date to support operations as the new system is deployed.

V. Earned Value

a. Cost Performance Index

Cost Performance Index (CPI) measures the financial effectiveness and efficiency of a project. It represents the amount of completed work for every unit of cost spent since project inception. Previous reports only covered costs incurred from when the Solution Integrator (SI) started on the project in January 2020, but Con Edison believes it is important to show the earned value against all costs incurred for the project since it began in 2017. The CPI has been updated to reflect all cost as shown in the chart below. This ratio is calculated by dividing the budgeted cost of work completed by the actual cost of work performed.

The Earned Value calculations are as follows:

Planned Value (PV) is the budgeted cost for the work scheduled to be done.

Actual Costs (AC) is the money spent for the work accomplished.

Earned Value (EV) is the percent of the total budget completed at a point in time. EV = % complete x budget

Cost Performance Index CPI = EV/AC

Schedule Performance Index SPI = EV/PV

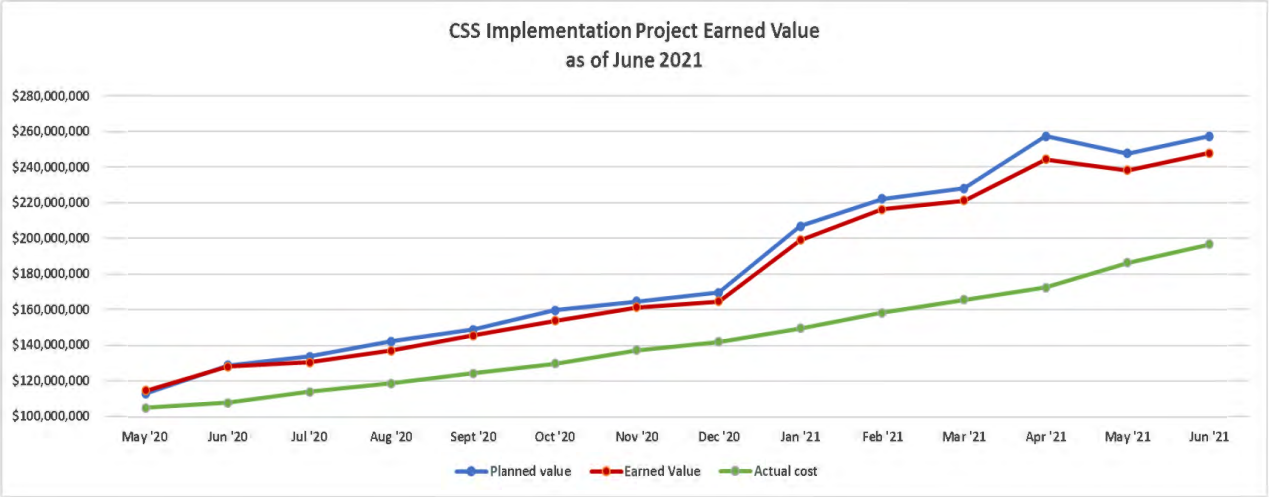
For the three months ended June 30, 2021, the CSS Implementation Project is showing a CPI of 1.26 or that the project is underspending against earned value with the gap narrowing slightly.

b. Schedule Performance Index

Schedule Performance Index (SPI) measures how close the project is to being completed compared to the schedule. The ratio is calculated by dividing the budgeted cost of work performed by the planned value.

For the 2021 Earned Value (EV) look back ending June 30, 2021, the CSS Implementation shows the projects ability to increase our deliverable output per plan as we wrap up design and transition to build (code development). The CPI continually showed underspending against earned and the SPI shows constant progress against the plan. As of June 30, 2021, the CPI was 1.26 and the SPI is 0.96.

The project execution has been steady with an average SPI of 0.96 for the three months ended June 30, 2021. The project transitioned from the design to build phase during the first quarter of 2021. As the project closes out the design phase, items remain open for recently identified work or clarifications and is reflected in the SPI. Despite the remaining items the project net overall remains on schedule to the next major milestone. The EV trend supports a conclusion that the CORE project continues to earn close to the planed value while underspending.



VI. Organizational Change Management ("OCM")

OCM Strategy Document and Update

The Organizational Change Management (OCM) team continues to make progress with its change management strategy and training plans through further engagement and communications activities, implementation of our business readiness strategy, and continued execution of the learning strategy. OCM is expanding its change champion network to engage both management and union stakeholders to help advocate project awareness and adoption. The Business Readiness Strategy details the activities and deliverables that will ensure our stakeholder organizations are fully prepared to accept and sustain the CSS Implementation at Go Live. It will be leveraged throughout the program. Learning Strategy efforts in Q3 2021 include the completion of our proficiency analysis, detailing current proficiency levels, forecast operational changes to processes for the future state, and outline key transactional metrics.

CSS Implementation

Status Report

October 15, 2021

I. Introduction

Consolidated Edison Company of New York, Inc. ("Con Edison" or the "Company") submits its September 30, 2021 update of the implementation status associated with Con Edison's Customer Service System ("CSS") Implementation Project.[1] The CSS project remains on-schedule.

The CORE[2] CSS Implementation project has been progressing on schedule:

- The three-cycle System Testing Phase, which began July 2021, remains on schedule. This phase tests CC&B for functionality based on system design and requirements.
    - System Test Cycle 1 commenced on July 1 and successfully met the designed exit criteria on August 31.
    - The completion of System Test Cycle 1 triggered the commencement of System Test Cycle 2 on September 1 which is scheduled to complete on November 30.
    - The two-month System Test Cycle 3 phase is scheduled to commence on December 1.

Training curriculum development activities have commenced, and the training environments and logistics planning efforts continue as expected throughout the fourth quarter of 2021.

II. CSS Project Update

CORE Team accomplishments for the third quarter of ,2021 include:

- Verification of designed system test scripts for System Test 1 and System Test 2
- Completion of 60 rate configurations required for System Test Phase 2
- Build and configuration of three CC&B and two Oracle Utility analytics environments for System Integration Testing (SIT)
- Completion of the technical designs for 66 system integrations required for SIT Cycle 1

[1] Cases 19-E-0065, 19-G-0066, Con Edison Electric and Gas Rates, *Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plan* ("Rate Plan"), January 16, 2020.
[2] Con Edison's CSS implementation team is called CORE (Con Edison and Orange & Rockland Engagement).

scheduled to commence on February 1, 2022.

- Completed build of Oracle Access Manager and Audit Vault Database firewall Test Environments
- Completion of the first of three System Test Cycles to confirm each functional component is built as per the functional requirements
- Commenced System Integration Test preparation to confirm systems and interfaces have been accurately integrated
- The project has frozen new requirements with a strict exception process
- Conducted an introductory ESCO stakeholder meeting to discuss technical features, testing, and integration requirements related to the CSS implementation

III. Project Cost Performance

a. Project Cost Variance (budget v. actual)[3]

The CSS implementation project is subject to a $421 million cap on capital expenditures per the 2020 Rate Order.[4] As the project is not expected to close to plant during the current electric and gas rate plans, the Company's revenue requirements do not reflect any carrying costs associated with CSS. For 2021 (RY 2), the Company's rate plans forecasted CSS capital expenditures of $105.6 million.

The Company's electric and gas rate plans include a downward-only O&M reconciliation over three years for the CSS project. At the end of the three-year period, any deferral amount will be used for CSS implementation, as authorized in future rate plans. Any deferral amount at the end of CSS implementation will be credited to customers.[5] For RY2, the Company's rate

[3] This report is being filed pursuant to the Con Edison Rate Order and, as such, discusses only the Con Edison portion of the project costs. For informational purposes, cost tables include the full project costs and the O&R allocation of such costs.
[4] Rate Order, Joint Proposal, Section D.4.a. The Con Edison portion is capped at $421 million. The O&R allocation for the project is projected to be $34 million, for a total capital cost of $455 million for the project.
[5] *Id.* at Section E.16.

plans forecasted CSS O&M expenditures of $3.7 million.[6]

The following chart details the third quarter 2021 budget results:

Thousands (000)	Q3 2021			Project To-Date Cost		
CECONY	**Actuals**	**Budget**	**Variance**	**Actuals**	**Budget**	**Balance**
Capital	$ 24,394	$ 24,818	$ (424)	$ 203,206	$ 421,000	$ 217,794
O&M	$ 178	$ 137	$ 41	$ 4,352	$ 36,000	$ 31,648
Total CECONY	$ 24,572	$ 24,955	$ (383)	$ 207,558	$ 457,000	$ 249,442
O&R						
Capital	$ 1,908	$ 1,909	$ (0)	$ 15,175	$ 34,000	$ 18,825
O&M	$ 14	$ 53	$ (39)	$ 343	$ 3,000	$ 2,657
Total O&R	$ 1,922	$ 1,962	$ (39)	$ 15,518	$ 37,000	$ 21,482
Total CECONY & O&R	$ 26,494	$ 26,917	$ (423)	$ 223,077	$ 494,000	$ 270,923

Project To-Date Cost Budget includes total project O&M through 2023

As shown in the chart above, at the end 3Q 2021, Con Edison had a capital variance of $424K and an O&M variance of approximately $41K, relative to the forecasts in its rate plans.

Of the $424K capital variance $500K is related to an AFUDC adjustment by corporate and the offset of $76K is related to the timing of legacy IT integration scope. The O&M variance relates to the detailed project plan and timing. The capital underrun through the end of the third quarter will be reserved for use in the future quarters as the detailed project plan evolves. As discussed above, none of the capital costs are included in the Company's revenue requirements and any O&M underrun at the end of the project will be credited to customers.

b. Change Control Metrics (approved v. rejected)

Scope and change management procedures for the CSS Implementation project are documented in the statement of work between Con Ed and the System Integrator Contractor.

[6] The $1.3 million reflects the Company's O&M budget across all three services; the electric and gas expenses subject to the aforementioned reconciliation is $4.6 million.

To date, the project has a total of sixteen approved change requests:

In 2021, three change requests were approved in the first quarter, five were approved in the second quarter, and four were approved in the third quarter. The third quarter change requests have no cost impact. The system integrator enabled additional offshore work locations to support build and testing efforts.

In the fourth quarter, the Project Team is conducting detailed integration design activities and analyzing additional scope for potential change requests and financial impacts.

IV. Project Schedule Performance

a. Schedule Adherence
b. Project Milestones

The CSS Implementation project is currently on schedule and meeting the planned sequence of deliverables and milestones.

Progress has been made since the last project update:

		% Complete	
Phase	**Dates**	**June 30, 2021**	**September 30, 2021**
Planning	1/2/20 – 3/31/20	100%	100%
Analyze & Design	4/1/20 – 2/26/21	100%	100%
Build & User Testing	1/4/21 – 3/31/22	57%	69%
Overall Project Progress		42%	45%

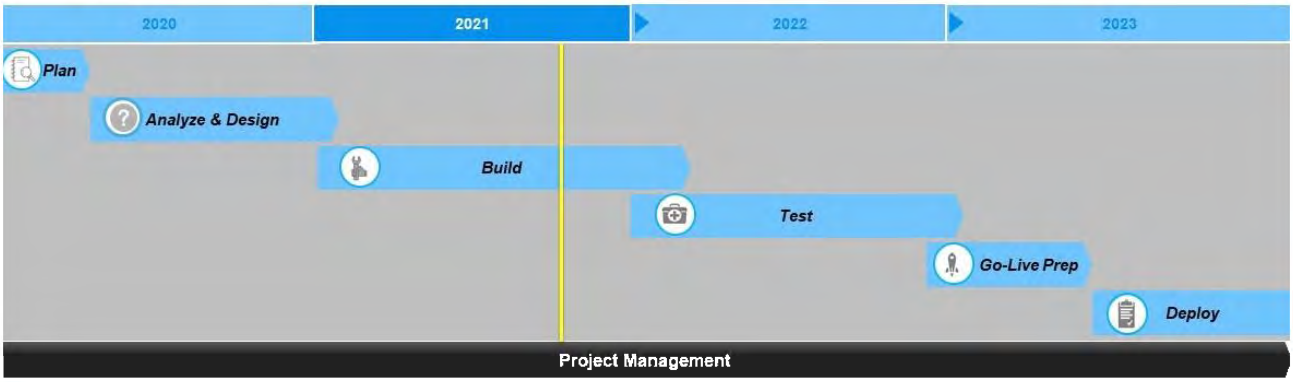
For the CORE project there are a total of 48 milestones through 2023. There are seventeen 2021 milestones in the project plan and eleven were completed as of September 30, 2021.

2021 Milestones				
Milestone #	**Phase**	**Milestone Description**	**Status**	**Scheduled**

				Completion
13	Analyze and Design	Data Conversion Strategy Completion	Completed	1/15/2021
14	Analyze and Design	Training Needs Assessment Completion	Completed	2/28/2021
15	Analyze and Design	Transaction Data Mapping Completion	Completed	3/15/2021
16	Analyze and Design	Functional Design Phase Completion and Training Strategy Completion	Completed	3/31/2021
17	Analyze and Design	Technical Specifications Phase Completion and Build and Unit Test Completion - Iteration 1	Completed	4/30/2021
18	Build & User Testing	Technical Specifications Phase Completion and Build and Unit Test Completion - Iteration 1	Completed	5/31/2021
19	Build & User Testing	System Test Plan & Strategy Testing	Completed	6/30/2021
46	Build & User Testing	System Integrator Expenses Due to COVID-19	Completed	6/30/2021
20	Build & User Testing	Reports Design Complete and Completion of Business Readiness Strategy	Completed	7/31/2021
21	Build & User Testing	System Integration Test Plan, Scenarios, Test Cases and Scripts; Training Environment Plan	Completed	8/31/2021
22	Build & User Testing	Data Load to System Test; Test Summary Dashboard	Completed	9/30/2021
23	Build & User Testing	Build and Unit Test Completion - Iteration 2	In Progress	10/15/2021
24	Build & User Testing	Course Specifications Signed Off	In Progress	10/30/2021
25	Build & User Testing	Build and Unit Test Phase Completion	In Progress	11/30/2021

47	Build & User Testing	Additional Functional Scope from 2020 Workshops	In Progress	11/30/2021
26	Build & User Testing	System Testing Completion - Cycle 2	In Progress	12/31/2021
48	Build & User Testing	Additional System Integration Resource for Data Conversion	In Progress	12/31/2021

Project Timeline



- **Plan:** Define project plans for major workstreams and conduct final preparations for Analyze & Design phase.
- **Analyze & Design:** Break down the detailed business process flows into more granular individual activity and steps to determine how the process changes should be designed to support the defined To-Be business processes.
- **Build:** Refine the system requirement, configuration, integration, extension, and data conversion designs until they are concrete and detailed enough to be built.
- **Test:** Test every aspect of the solution to ensure that the end-to-end product works as expected. Training also begins during this phase so that future system users are given the foundational knowledge required to smoothly transition to the new system at Go-Live.
- **Go-Live Prep:** Once the system is fully tested, the effort can shift from building and testing the solution to preparing for it to be put in place.
- **Deploy:** Conduct all Go-Live activities and manage any system issues or defects that may arise once the system is live will so as to address and resolve them during this phase. In addition, this phase will extend beyond the "go-live" date to support operations as the new system is deployed.

V. Earned Value

a. Cost Performance Index

Cost Performance Index (CPI) measures the financial effectiveness and efficiency of a project. It represents the amount of completed work for every unit of cost spent since project inception. This ratio is calculated by dividing the budgeted cost of work completed by the actual cost of work performed.

The Earned Value calculations are as follows:

Planned Value (PV) is the budgeted cost for the work scheduled to be done.

Actual Costs (AC) is the money spent for the work accomplished.

Earned Value (EV) is the percent of the total budget completed at a point in time. EV = % complete x budget

Cost Performance Index CPI = EV/AC

Schedule Performance Index SPI = EV/PV

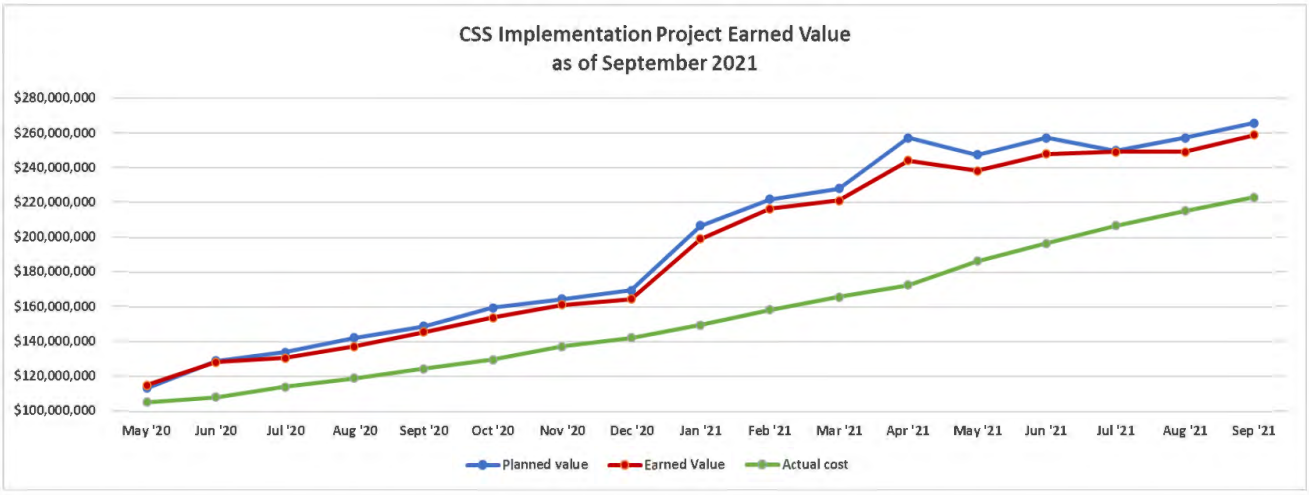
For the three months ended September 30, 2021, the CSS Implementation Project is showing a CPI of 1.16 or that the project is underspending against earned value with the gap slightly expanding.

b. Schedule Performance Index

Schedule Performance Index (SPI) measures how close the project is to being completed compared to the schedule. The ratio is calculated by dividing the budgeted cost of work performed by the planned value.

For the 2021 Earned Value (EV) look back ending September 30, 2021, the CSS Implementation shows the projects ability to increase our deliverable output per plan as we wrap up design and transition to build (code development) and system testing. The CPI continually showed underspending against earned and the SPI showed constant progress against the plan. As of September 30, 2021, the CPI is 1.16 and the SPI is .97 just slightly behind schedule.

The project execution has been steady with an average SPI of .98 for the three months ended September 30, 2021. After closing out the design phase, the project continues to work through design clarifications and emergent work items. Overall, the project remains on schedule to the next major milestone. The EV trend supports a conclusion that the CORE project continues to earn close to the planned value while underspending.



VI. Organizational Change Management ("OCM")

OCM Strategy Document and Update

The Organizational Change Management (OCM) team continues to make progress with its change management strategy through targeted stakeholder engagement and readiness efforts and through ongoing implementation of its training strategy and proficiency activities. OCM is leveraging various communications channels to deliver targeted and timely messaging of the CSS Implementation program including monthly 'Manager Talking Points' for business leaders to disseminate key project information on business-specific topics and change impacts with their teams to further drive engagement and adoption of the program.

OCM expanded its change champion network to incorporate management and union employee business stakeholders who will advocate project awareness, support stakeholder feedback and promote adoption of the CSS implementation throughout the life of the program. Learning Strategy efforts include the completion of the training environment plan which details the training platform specifications and the data requirements for formal end user training which will commence in October 2022. Course curriculum design has commenced with a focus on outlining the training courses to be offered, development of curriculum maps for specific user roles, and establishment of the course catalog.

CSS Implementation

Status Report

January 14, 2022

I. Introduction

Consolidated Edison Company of New York, Inc. ("Con Edison" or the "Company") submits its December 31, 2021 update of the implementation status associated with Con Edison's Customer Service System ("CSS") Implementation Project.[1]

II. CSS Project Update

The CORE[2] CSS Implementation project remains on schedule and completed a number of activities critical to the preparation, support and execution of project activities in the fourth quarter of 2021.

- Completed data conversion activities required to deliver full data sets needed to support all system test cycles.
- System test cycle 2 was completed between September 1 and November 30.
- System test cycle 3 commenced on December 1, 2021 and is scheduled for completion by January 31, 2022.
- System integration test cycle 1 test case preparation was completed in December 2021 and is scheduled to commence in February 2022.
- Worked with third party vendors, such as ESCOs and government agencies, to identify system integration test cycle 1 requirements.
- Completed 100% of rate configurations required for system test cycle 3.

In addition to testing, the user training curriculum development activities and logistics continued throughout the fourth quarter of 2021. Training is scheduled to commence in October 2022 and continue through May 2023. The project team has also purchased hardware for training, testing, and production environments.

III. Project Cost Performance

[1] Cases 19-E-0065, 19-G-0066, , Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plan ("Rate Plan"), January 16, 2020.

[2] Con Edison's CSS implementation team is called CORE (Con Edison and Orange & Rockland Engagement).

a. Project Cost Variance (budget v. actual)[3]

The CSS implementation project is subject to a $421 million cap on capital expenditures per the 2020 Rate Order.[4] As the project is not expected to close to plant during the current electric and gas rate plans, the Company's revenue requirements do not reflect any carrying costs associated with CSS. For 2022 (RY 3), the Company's rate plans forecasted CSS capital expenditures of $126.5 million.

The Company's electric and gas rate plans include a downward-only O&M reconciliation over three years for the CSS project. At the end of the three-year period, any deferral amount will be used for CSS implementation, as authorized in future rate plans. Any deferral amount at the end of CSS implementation will be credited to customers.[5] For RY3, the Company's rate plans forecasted CSS O&M expenditures of $7.5 million.

The following chart details the fourth quarter 2021 budget results:

Thousands ('000)	Q4 2021			Project To Date Cost		
CECONY	**Actuals**	**Budget**	**Variance**	**Actuals**	**Budget**	**Balance**
Capital	$ 31,219	$ 26,286	$ 4,933	$ 234,425	$ 421,000	$ 186,575
O&M	$ 1,538	$ 2,124	$ (587)	$ 5,889	$ 36,000	$ 30,111
Total CECONY	$ 32,756	$ 28,410	$ 4,347	$ 240,314	$ 457,000	$ 216,686
O&R						
Capital	$ 2,946	$ 1,991	$ 955	$ 18,120	$ 34,000	$ 15,880
O&M	$ 127	$ 200	$ (73)	$ 470	$ 3,000	$ 2,530
Total O&R	$ 3,072	$ 2,190	$ 882	$ 18,590	$ 37,000	$ 18,410
Total CECONY & O&R	**$ 35,829**	**$ 30,600**	**$ 5,229**	**$ 258,904**	**$ 494,000**	**$ 235,096**

As shown in the chart above, for the fourth quarter 2021, Con Edison had a capital variance of $4.93

[3] This report is being filed pursuant to the Con Edison Rate Order and, as such, discusses only the Con Edison portion of the project costs. For informational purposes, cost tables include the full project costs and the O&R allocation of such costs.

[4] Rate Order, Joint Proposal, Section D.4.a. The Con Edison portion is capped at $421 million. The O&R allocation for the project is projected to be $34 million, for a total capital cost of $455 million for the project.

[5] *Id.* at Section E.16.

million but the full year capital budget of $105 million was on target. The capital variance was driven by timing of legacy and hardware costs that were originally budgeted in earlier quarters. The project had an O&M variance of approximately $600,000, relative to the forecasts in its rate plans. The fourth quarter O&M budget variance was driven by a reclassification of IT Co-Location costs from O&M to capital and timing of other minor spending items.

b. Change Control Metrics (approved v. rejected)

Scope and change management procedures for the CSS Implementation project are documented in the statement of work between Con Ed and the System Integrator Contractor.

To date, the project has a total of 17 approved change requests. In 2021, three change requests were approved in the first quarter, five were approved in the second quarter, four were approved in the third quarter, and one was approved in the fourth quarter. The fourth quarter change request had no cost impact. The system integrator enabled additional offshore work locations to support build and testing efforts.

IV. Project Schedule Performance

a. Schedule Adherence

The CSS Implementation project is currently on schedule and meeting the planned sequence of deliverables and milestones.

Progress has been made since the last project update:

		% Complete	
Phase	**Dates**	**September 30, 2021**	**December 31, 2021**
Planning	1/2/20 – 3/31/20	100%	100%
Analyze & Design	4/1/20 – 2/26/21	100%	100%
Build & User Testing	1/4/21 – 3/31/22	69%	83%
Overall Project Progress		45%	48%

For the CORE project there are a total of 48 milestones through 2023. There are 17 2021 milestones, all of which were completed by December 31, 2021. There are 11 milestones scheduled to be completed in 2022.

b. Project Milestones

2021 Milestones				
Milestone #	**Phase**	**Milestone Description**	**Status**	**Scheduled Completion**
13	Analyze and Design	Data Conversion Strategy Completion	Completed	1/15/2021
14	Analyze and Design	Training Needs Assessment Completion	Completed	2/28/2021
15	Analyze and Design	Transaction Data Mapping Completion	Completed	3/15/2021
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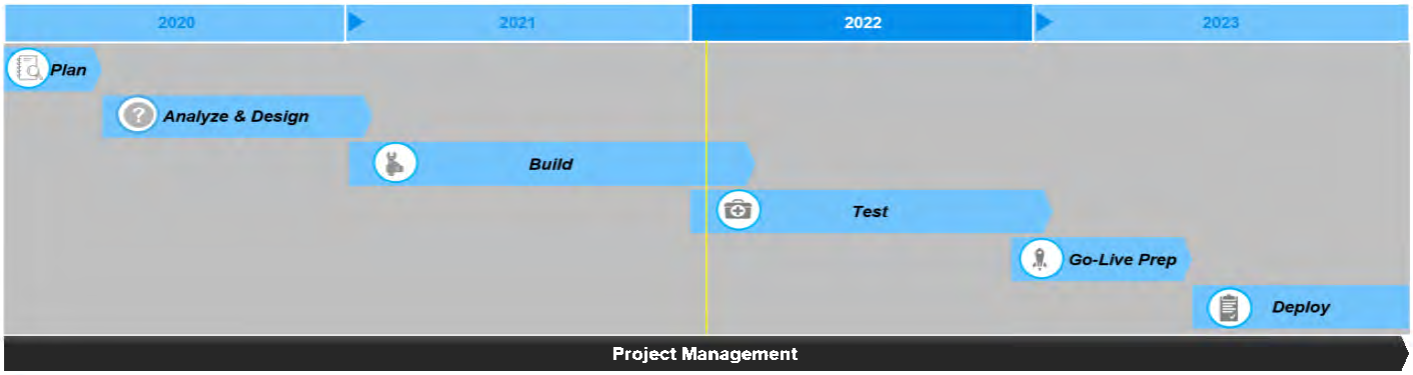
47	Build & User Testing	Additional Functional Scope from 2020 Workshops	Completed	11/30/2021
26	Build & User Testing	System Testing Completion - Cycle 2	Completed	12/31/2021
48	Build & User Testing	Additional System Integration Resource for Data Conversion	Completed	12/31/2021

Project Timeline



- **Plan:** Define project plans for major workstreams and conduct final preparations for Analyze & Design phase.
- **Analyze & Design:** Break down the detailed business process flows into more granular individual activity and steps to determine how the process changes should be designed to support the defined To-Be business processes.
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- **Go-Live Prep:** Once the system is fully tested, the effort can shift from building and testing the solution to preparing for it to be put in place.
- **Deploy:** Conduct all Go-Live activities and manage any system issues or defects that may arise once the system is live will so as to address and resolve them during this phase. In addition, this phase will extend beyond the "go-live" date to support operations as the new system is deployed.

V. Earned Value

a. Cost Performance Index

Cost Performance Index (CPI) measures the financial effectiveness and efficiency of a project. It

represents the amount of completed work for every unit of cost spent since project inception. This ratio is calculated by dividing the budgeted cost of work completed by the actual cost of work performed.

The Earned Value calculations are as follows:

Planned Value (PV) is the budgeted cost for the work scheduled to be done.

Actual Costs (AC) is the money spent for the work accomplished.

Earned Value (EV) is the percent of the total budget completed at a point in time. EV = % complete x budget

Cost Performance Index CPI = EV/AC

Schedule Performance Index SPI = EV/PV

For the fourth quarter of 2021, the CSS Implementation Project has an average CPI of 1.11 and as of December 31, 2021 the project has a CPI of 1.07. Both of these results indicate that the project continues to underspend against earned value.

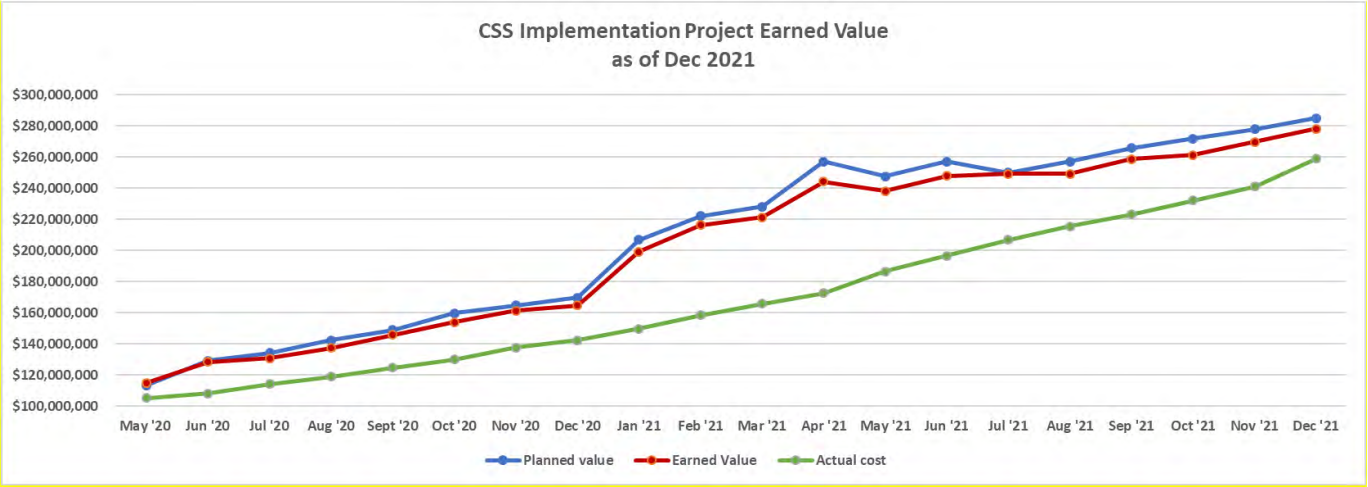
b. Schedule Performance Index

Schedule Performance Index (SPI) measures how close the project is to being completed compared to the schedule. The ratio is calculated by dividing the budgeted cost of work performed by the planned value.

For the Earned Value (EV) look back period ending December 31, 2021, the CSS Implementation has continued progressing through the build phase and transitioned into system testing and system integration testing activities. While the CPI shows underspending against earned value, actual costs are gradually becoming more in line with earned value. The SPI shows constant progress against the plan. As of December 31, 2021, the SPI is .98 just slightly behind schedule.

The project execution has been steady with an average SPI of .97 for the quarter ended December 31, 2021. Overall, the project remains on schedule to the next major milestone of starting system

integration testing in February 2022. The EV trend supports a conclusion that the CORE project continues to earn close to the planned value while underspending.



VI. Organizational Change Management ("OCM")

The Organizational Change Management (OCM) team continues to make progress with its change management strategy through targeted stakeholder engagement, readiness efforts, and through ongoing implementation of its training strategy and proficiency activities. OCM has leveraged various communications channels to deliver targeted and timely messaging of the CSS Implementation program, i.e., through the development of a new video which highlights the background of the CORE program and the benefits of Oracle CC&B. OCM has held a series of Town Hall presentations to stakeholder organizations to provide updates on the CSS Implementation project and timeline with a focus on the training strategy and some of the key changes to be introduced by CC&B. OCM continues to leverage the CORE program change champion network to advocate project awareness, and support stakeholder feedback and adoption of the CSS implementation throughout the life of the program.

As part of its training strategy and business readiness preparations, OCM completed development of the course specifications and curriculum for the CSS implementation training program. This will enable 20 individual instructor-led courses that will be delivered to the approximate 2,500 end

users starting in October 2022. OCM completed a legacy transaction analysis of a number of key current business transactions within the existing CSS applications. Insights developed from this analysis will help identify key high impact and high-volume transactions that will require additional practice time outside of the classroom for CC&B users to develop proficiency. In support of the CORE program business readiness strategy, OCM finalized development of the business readiness criteria and scorecard process which will be utilized by each stakeholder organization to determine their organization's business readiness prior to go-live. Starting in Q1 2022, OCM will work closely with the business stakeholders to identify the business readiness leads for each business area and finalize specific business readiness scorecards for each organization.

CSS Implementation

Status Report

April 15, 2022

I. Introduction

Consolidated Edison Company of New York, Inc. ("Con Edison" or the "Company") submits its March 31, 2022 update on Con Edison's Customer Service System ("CSS") implementation project.[1]

II. CSS Project Update

The CORE[2] CSS implementation project remains on schedule to go live in May 2023. During the first quarter of 2022, the project completed several critical activities to prepare for, support and execute project implementation. Some key activities include:

- System Test Cycle 3 was successfully completed in January 2022.
- System Integration Test Cycle 1 began on February 1 and was completed as of March 31.
- System Integration Testing for the Bridge Test cycle began in March 2022 and is scheduled for completion in May 2022.
- System Integration Test Cycle 2 test case preparation began in January 2022 with execution planned for April through July 2022.
- The first two batches of Test Cases for Oracle Utility Analytics System Integration Test were completed.
- Completed Extract, Transform, and Load build for current reporting scope.
- Completed Oracle Utility Analytics System Test execution of code drops two and three out of five.

During the first quarter of 2022, the Project Team began test plan development for User Acceptance Testing (UAT), Parallel Bill Testing, System Performance Testing and Operation Readiness Testing, for execution in the second half of 2022. The planning and executing of multiple testing cycles requires coordination across project workstreams, with edge system

[1] Cases 19-E-0065/19-G-0066, Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plan ("Rate Plan"), January 16, 2020.
[2] Con Edison's CSS implementation team is called CORE (Con Edison and Orange & Rockland Engagement).

owners, and with external third-party vendors so that the new CSS performs, communicates and interacts with internal and external systems per design specifications. The Project Team is actively working with all these parties.

III. Project Cost Performance

a. Project Cost Variance (budget v. actual)[3]

As noted in previous New CSS implementation quarterly reports, the CSS implementation project is subject to a $421 million cap on capital expenditures per the 2020 Rate Order.[4] Since the new CSS system will not go into service until 2023, the Company's revenue requirements do not reflect any carrying costs associated with CSS. For 2022 (RY 3), the Company's rate plans forecasted CSS capital expenditures of $126.5 million. To date, the Company has spent 20% of the forecasted capital costs, or $25.6 million in Rate Year 3. The Company has requested the remaining funds needed to complete the implementation of the new CSS in its current rate proceeding. The funds requested are within the $421 million cap on capital expenditures.

The Company's existing electric and gas rate plans include a downward-only O&M reconciliation over three years for the CSS project. At the end of the three-year period, any deferral amount will be used for CSS implementation, as authorized in future rate plans. Any deferral amount at the end of CSS implementation will be credited to customers.[5] For Rate Year 3, the Company forecasted CSS O&M expenditures of $9.6 million. To date, the Company has spent 11% of the forecasted O&M total, or $1.1 million in Rate Year 3.

The following chart details the first quarter 2022 budget results:

[3] This report is being filed pursuant to the Con Edison Rate Order and, as such, discusses only the Con Edison portion of the project costs. For informational purposes, cost tables include the full project costs, including O&R's allocation of such costs.
[4] Rate Order, Joint Proposal, Section D.4.a. The Con Edison portion is capped at $421 million. The O&R allocation for the project is projected to be $34 million, for a total capital cost of $455 million for the project.
[5] *Id.* at Section E.16.

Thousands ('000)	Q1 2022			Project To Date Cost		
CECONY	**Actuals**	**Budget**	**Variance**	**Actuals**	**Budget**	**Balance**
Capital	$ 25,552	$ 29,463	$ (3,911)	$259,977	$421,000	$161,023
O&M	$ 1,107	$ 1,336	$ (229)	$ 6,996	$ 36,000	$ 29,004
Total CECONY	$ 26,659	$ 30,799	$ (4,140)	$266,973	$457,000	$190,027
O&R						
Capital	$ 2,218	$ 2,379	$ (161)	$ 20,338	$ 34,000	$ 13,662
O&M	$ 14	$ 182	$ (168)	$ 484	$ 3,000	$ 2,516
Total O&R	$ 2,232	$ 2,561	$ (329)	$ 20,822	$ 37,000	$ 16,178
Total CECONY & O&R	**$ 28,891**	**$ 33,360**	**$ (4,469)**	**$287,795**	**$494,000**	**$206,205**

As shown in the chart above, for the first quarter 2022, Con Edison had a capital underrun of $3.9 million and an O&M underrun of $229,000 compared to the budget for this time period. The capital and O&M variances were driven by timing of solution integrator costs that were originally budgeted in the first quarter but are now planned for later in the year.

b. Change Control Metrics (approved v. rejected)

Scope and change management procedures for the CSS implementation project are documented in the statement of work between Con Ed and the System Integrator Contractor.

In total, the project has approved 26 change requests. To date, seven change requests have been approved in 2022. Of the approved change requests, three have no cost impacts. The remaining four change requests have a total cost impact of $14.5 million for additional scope discovered during workshops and the build and for three additional resources not covered in the original contract. These costs fall within the project's total budget and do not represent an overall cost increase to the project.

IV. Project Schedule Performance

a. Schedule Adherence

The CSS Implementation project is currently on schedule and is progressing through project phases as planned. The table below shows the progress through the project phases and overall project completion:

		% Complete	
Phase	**Dates**	**December 31, 2021**	**March 31, 2022**
Planning	1/2/20 – 3/31/20	100%	100%
Analyze & Design	4/1/20 – 2/26/21	100%	100%
Build & User Testing	1/4/21 – 3/31/22	83%	96%
Testing	1/3/22 – 2/28/23	-	16%
Overall Project Progress		48%	56%

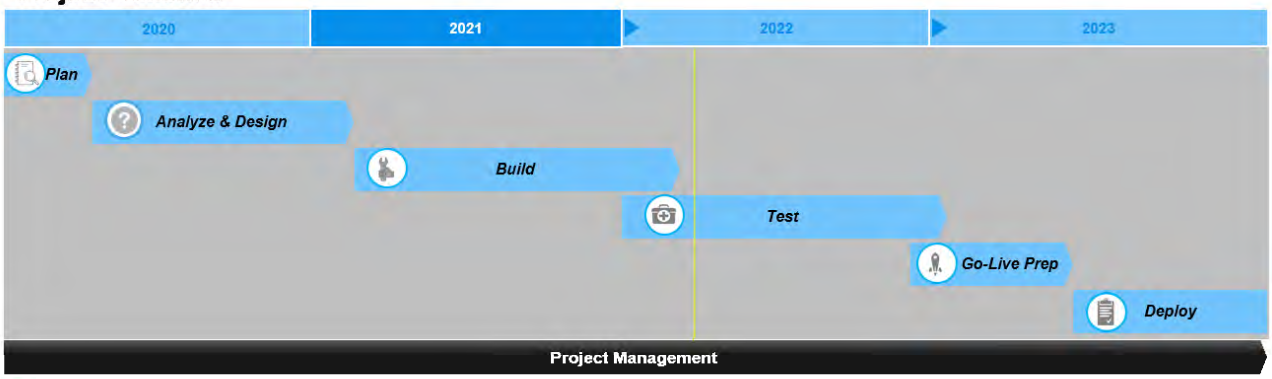
b. Project Milestones

For the CORE project, there are a total of 63 milestones through 2023. Of the 23 milestones scheduled to be completed in 2022, five were completed in the first quarter of 2022.

2022 Milestones				
Milestone #	Phase	Milestone Description	Status	Milestone Due Date
27	Build and User Test	System Testing Completion - Cycle 3 and Phase Completion	Completed	1/31/2022
28	Testing	Communications Stage Gate	Completed	2/28/2022
29	Testing	Conversion Testing and Data Clean-up Completion	Completed	3/31/2022
56	Testing	Data Conversion/User Acceptance Testing Resources Payment #1	Completed	3/31/2022
60	Testing	Data Conversion Resource Payment #1	Completed	3/31/2022
30	Testing	System Integration Testing Completion- Cycle 1	In-Progress	4/30/2022
49	Testing	Extension (New and Rework) - Design and Build Completion	In-Progress	5/15/2022
31	Testing	Train the Trainer Completion	In-Progress	5/31/2022
50	Testing	Integration – Design Completion – R4	In-Progress	6/15/2022
57	Testing	Data Conversion/User Acceptance Testing Resources Payment #2	In-Progress	6/30/2022
61	Testing	Data Conversion Resource Payment #2	In-Progress	6/30/2022
32	Testing	System Integration Testing Completion - Cycle 2	In-Progress	7/15/2022

33	Testing	System Integration Testing Completion - Cycle 3 and Phase Completion	In-Progress	8/28/2022
51	Testing	Completion of Bridge Testing, SIT2 Testing, Build for R4 Integration, Design for R5 Integration, Build of rework Integrations items.	In-Progress	9/15/2022
34	Testing	Training Needs Assessment Completion	In-Progress	9/30/2022
58	Testing	Data Conversion/User Acceptance Testing Resources Payment #3	In-Progress	9/30/2022
62	Testing	Data Conversion Resource Payment #3	In-Progress	9/30/2022
35	Testing	User Acceptance Testing Completion - Cycle 1	In-Progress	10/30/2022
52	Testing	OCM - Training content completion for additional work	In-Progress	11/15/2022
36	Testing	Completion of Disaster Recover Strategy and Disaster Recovery Plan	In-Progress	11/30/2022
37	Testing	To-Do Playbook Delivered and User Acceptance Testing Completion - Cycle 2	In-Progress	12/31/2022
59	Testing	User Acceptance Testing Resource Payment #4	In-Progress	12/31/2022
63	Testing	Data Conversion Resource Payment #4	In-Progress	12/31/2022

Project Timeline



- **Plan:** Define project plans for major workstreams and conduct final preparations for Analyze & Design phase.
- **Analyze & Design:** Break down the detailed business process flows into more granular individual activity and steps to determine how the process changes should be designed to support the defined To-Be business processes.
- **Build:** Refine the system requirement, configuration, integration, extension, and data conversion designs until they are concrete and detailed enough to be built.
- **Test:** Test every aspect of the solution to ensure that the end-to-end product works as expected. Training also begins during this phase so that future system users are given the foundational knowledge required to smoothly transition to the new system at Go-Live.
- **Go-Live Prep:** Once the system is fully tested, the effort can shift from building and testing the solution to preparing for it to be put in place.
- **Deploy:** Conduct all Go-Live activities and manage any system issues or defects that may arise once the system is live. In addition, this phase will extend beyond the "go-live" date to support operations as the new system is deployed.

V. Earned Value

a. Cost Performance Index

Cost Performance Index (CPI) measures the financial effectiveness and efficiency of a project. It represents the amount of completed work for every unit of cost spent since project inception. This ratio is calculated by dividing the budgeted cost of work completed by the actual cost of work performed.

The Earned Value calculations are as follows:

Planned Value (PV) is the budgeted cost for the work scheduled to be done.

Actual Costs (AC) is the money spent for the work accomplished.

Earned Value (EV) is the percent of the total budget completed at a point in time. EV = % complete x budget

Cost Performance Index CPI = EV/AC

Schedule Performance Index SPI = EV/PV

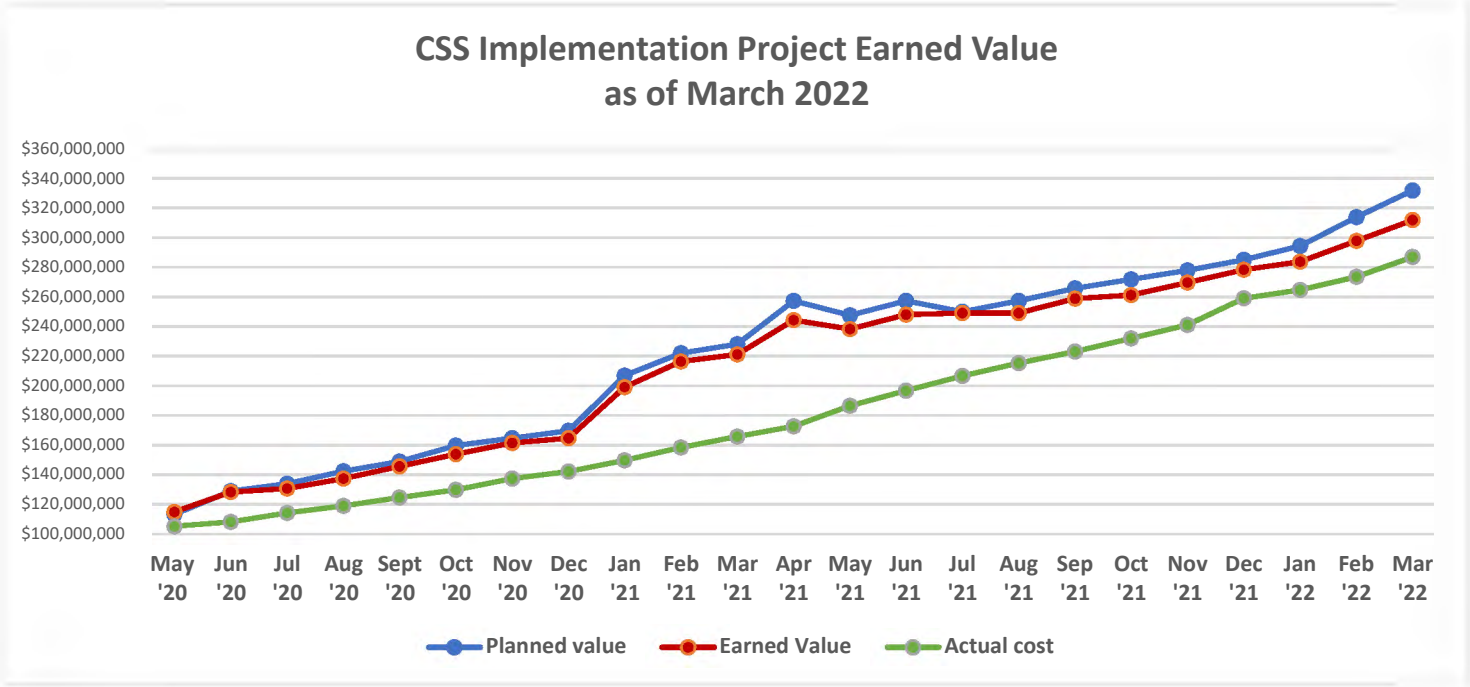
For the first quarter of 2022, the CSS Implementation Project has an average CPI of 1.08, and as of March 31, 2022 the project has a CPI of 1.09. Both of these results indicate that the project continues to underspend against earned value.

b. Schedule Performance Index

Schedule Performance Index (SPI) measures how close the project is to being completed compared to the schedule. The ratio is calculated by dividing the budgeted cost of work performed by the planned value.

For the Earned Value (EV) look-back period ending March 31, 2022, the CSS Implementation project is close to completing the build phase and is into system testing and system integration testing activities. While the CPI continues to show underspending against earned value, actual costs continue to fall more in line with earned value. The SPI shows constant progress against the plan. As of March 31, 2022, the SPI is .94, just slightly behind schedule.

The project execution has been steady, with an average SPI of .95 for the first quarter of 2022. The EV trend continues to support the conclusion that the CORE project is earning close to the planned value while underspending.



VI. Organizational Change Management ("OCM")

The Organizational Change Management (OCM) team commenced the first quarter of 2022 with the start of its training material development efforts and with a continued focus on targeted stakeholder engagement and readiness. OCM submitted its second bi-annual stakeholder survey to primary and secondary stakeholders to track progress on leadership and stakeholder commitment to the CSS Implementation (CORE) project, track support for the project vision and case for change and identify business groups in support of, or resistant to, the program and its objectives. The survey results provided the CORE team with valuable insights on how the project is perceived by the business. It also provided data the team used to assess the impact of change activities across project phases and develop appropriate additional change interventions, understand the sentiments of employees towards the project, and monitor changes in stakeholder perceptions of the CORE project over time.

As part of its training strategy efforts, OCM commenced activities to support the development of Oracle Customer Care and Billing (CC&B) training materials and content over the next several months in anticipation of train-the-trainer activities in Q3 2022 and the start of end-

user training in Q4 2022. To meet the needs of our end-users and prepare them for CC&B, the OCM Training Team is designing and delivering various training materials to help build the skills each type of user will need, including informational videos/micro-learnings, web-based learning, virtual instructor-led training, proficiency simulations and labs, and hands-on workshops. OCM is implementing a role-based curriculum that consists of over 20 courses, depending on individual and organizational training requirements.

To support the CORE program Business Readiness strategy, OCM onboarded the CORE project Business Implementation Leads (BILs), key leaders who represent the primary business areas impacted by the CORE project, to help drive the business areas' ability to fully accept the CC&B solution following the deployment of CC&B. Over the next several months, OCM will partner with the BILs to develop their targeted business readiness criteria and address the key aspects of readiness for their particular business area prior to go-live. The readiness criteria will be managed in a business readiness scorecard to be validated by the business areas on a monthly basis starting in Q3 2022.

CSS Implementation

Status Report

July 15, 2022

I. Introduction

Consolidated Edison Company of New York, Inc. ("Con Edison" or the "Company") submits its July 15, 2022 update on Con Edison's Customer Service System ("CSS") implementation project.[1]

II. CSS Project Update

The CORE[2] CSS implementation project remains on schedule to go live in May 2023. During the second quarter of 2022, the project completed several critical activities to prepare for, support and execute project implementation. Some key activities included:

- System Integration Test (SIT) Cycle 2 began on April 1 and with a scope of approximately 2600 test cases across 42 Company systems.
- Completed the final System Test cycle in May 2022. All System Test cycles encompassed more than 10,000 test cases executed over the course of 11 months.
- Completed Oracle Utility Analytics System Testing in June 2022 with the execution of almost 800 test cases.
- Completed over 25 Technical Design Agreements with Third Party Vendors.
- Completed the setup of over 30 file transmissions with Third Party Vendors in preparation for SIT Cycle 3, which commences on August 1, 2022.
- Started planning for Third Party Vendor participation in User Acceptance Testing.
- Established a Deployment Workstream to identify and prepare for cut over activities and conducted cut over workshops with key business resources.

During the second quarter of 2022, the Project Team onboarded resources from key business areas to identify test scenarios to be executed during User Acceptance Testing. The test scenarios will be executed by subject matter experts across both UAT testing cycles. Additional planning for Parallel Bill Testing, System Performance Testing and Operation Readiness Testing was conducted

[1] Cases 19-E-0065/19-G-0066, Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plan ("Rate Order"), January 16, 2020.
[2] Con Edison's CSS implementation team is called CORE (Con Edison and Orange & Rockland Engagement).

during the second quarter of 2022 and execution of those test cycles remains on track for the second half of 2022. Coordination across project workstreams, edge system owners, and external Third Party Vendors continued throughout the second quarter. The planning and execution of multiple testing cycles so that the new CSS performs, communicates and interacts with internal and external systems per design specifications remains on track.

III. Project Cost Performance

a. Project Cost Variance (budget v. actual)[3]

As noted in previous new CSS implementation quarterly reports, the CSS implementation project is subject to a $421 million cap on capital expenditures per the 2020 Rate Order.[4] Since the new CSS system will not go into service until 2023, the Company's revenue requirements do not reflect any carrying costs associated with CSS. For 2022 (RY 3), the Company's rate plans forecasted CSS capital expenditures of $126.5 million. To date, the Company has spent 48% of the forecasted capital costs, or $61.2 million in Rate Year 3. The Company has requested the remaining funds needed to complete the implementation of the new CSS in its current rate proceeding (Cases 22-E-0064 and 22-G-0065). The funds requested are within the $421 million cap on capital expenditures.

The Company's existing electric and gas rate plans include a downward-only O&M reconciliation over three years for the CSS project. At the end of the three-year period, any deferral amount will be used for CSS implementation, as authorized in future rate plans. Any deferral amount at the end of CSS implementation will be credited to customers.[5] For Rate Year 3, the Company forecasted CSS O&M expenditures of $9.6 million. To date, the Company has spent 33% of the forecasted O&M total, or $3.2 million in Rate Year 3.

[3] This report is being filed pursuant to the Con Edison Rate Order and, as such, discusses only the Con Edison portion of the project costs. For informational purposes, cost tables include the full project costs, including O&R's allocation of such costs.
[4] Rate Order, Joint Proposal, Section D.4.a. The Con Edison portion is capped at $421 million. The O&R allocation for the project is projected to be $34 million, for a total capital cost of $455 million for the project.
[5] *Id.* at Section E.16.

The following chart details the first quarter 2022 budget results:

Thousands ('000)	Q2 2022			Project To Date Cost		
CECONY	**Actuals**	**Budget**	**Variance**	**Actuals**	**Budget**	**Balance**
Capital	$ 35,612	$ 34,238	$ 1,373	$295,589	$421,000	$125,411
O&M	$ 2,051	$ 2,994	$ (943)	$ 9,047	$ 36,000	$ 26,953
Total CECONY	$ 37,663	$ 37,232	$ 431	$304,636	$457,000	$152,364
O&R						
Capital	$ 2,728	$ 2,416	$ 312	$ 23,066	$ 34,000	$ 10,934
O&M	$ 92	$ 182	$ (90)	$ 576	$ 3,000	$ 2,424
Total O&R	$ 2,820	$ 2,598	$ 222	$ 23,642	$ 37,000	$ 13,358
Total CECONY & O&R	**$ 40,483**	**$ 39,830**	**$ 653**	**$328,278**	**$494,000**	**$165,722**

As shown in the chart above, for the second quarter 2022, Con Edison had a capital overrun of $1.4 million and an O&M underrun of $943,000 compared to the budget for this time period. The capital variance was driven by legacy contractor costs that were originally budgeted for the first quarter but were incurred during the second quarter. The O&M variance was driven by timing of temporary call center support for go live that was originally budgeted in the second quarter.

b. Change Control Metrics (approved v. rejected)

Scope and change management procedures for the CSS implementation project are documented in the statement of work between Con Ed and the System Integrator Contractor.

In total, the project has approved 35 change requests. To date, 18 change requests have been approved in 2022. Seven change requests were approved in the first quarter and 11 in the second quarter of 2022. Of the approved second quarter change requests, only one change request has a cost impact totaling $1.5 million. The one change request with a cost impact is for additional User Acceptance Testing resources not covered in the original contract. These costs fall within the project's total budget and do not represent an overall cost increase to the project.

IV. Project Schedule Performance

a. Schedule Adherence

The CSS Implementation project is currently on schedule and is progressing through project phases as planned. The table below shows the progress through the project phases and overall project completion:

		% Complete	
Phase	**Dates**	**April 30, 2022**	**June 30, 2022**
Planning	1/2/20 – 3/31/20	100%	100%
Analyze & Design	4/1/20 – 2/26/21	100%	100%
Build & User Testing	1/4/21 – 3/31/22	96%	99%
Testing	1/3/22 – 2/28/23	16%	34%
Overall Project Progress		56%	62%

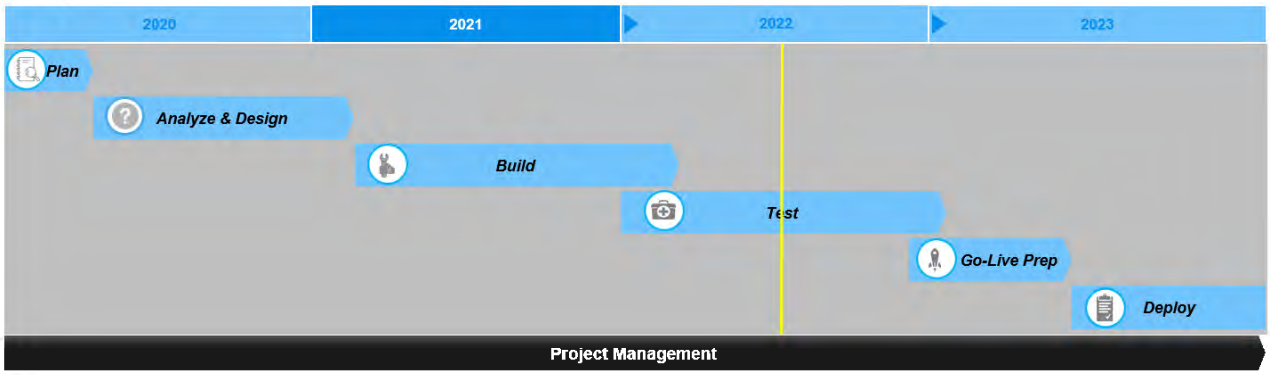
b. Project Milestones

For the CORE project, there are a total of 63 milestones through 2023. Of the 23 milestones scheduled to be completed in 2022, six were completed in the second quarter of 2022.

2022 Milestones				
Milestone #	Phase	Milestone Description	Status	Milestone Due Date
27	Build and User Test	System Testing Completion - Cycle 3 and Phase Completion	Completed	1/31/2022
28	Testing	Communications Stage Gate	Completed	2/28/2022
29	Testing	Conversion Testing and Data Clean-up Completion	Completed	3/31/2022
56	Testing	Data Conversion/User Acceptance Testing Resources Payment #1	Completed	3/31/2022
60	Testing	Data Conversion Resource Payment #1	Completed	3/31/2022
30	Testing	System Integration Testing Completion- Cycle 1	Completed	4/30/2022
49	Testing	Extension (New and Rework) - Design and Build Completion	Completed	5/15/2022
31	Testing	Train the Trainer Materials Completion	Completed	5/31/2022
50	Testing	Integration – Design Completion – R4	Completed	6/15/2022
57	Testing	Data Conversion/User Acceptance Testing Resources Payment #2	Completed	6/30/2022
61	Testing	Data Conversion Resource Payment #2	Completed	6/30/2022

32	Testing	System Integration Testing Completion - Cycle 2	In-Progress	7/15/2022
33	Testing	System Integration Testing Completion - Cycle 3 and Phase Completion	In-Progress	8/28/2022
51	Testing	Completion of Bridge Testing, SIT2 Testing, Build for R4 Integration, Design for R5 Integration, Build of rework Integrations items.	In-Progress	9/15/2022
34	Testing	Training Materials Completion	In-Progress	9/30/2022
58	Testing	Data Conversion/User Acceptance Testing Resources Payment #3	In-Progress	9/30/2022
62	Testing	Data Conversion Resource Payment #3	In-Progress	9/30/2022
35	Testing	User Acceptance Testing Completion - Cycle 1	In-Progress	10/30/2022
52	Testing	OCM - Training content completion for additional work	In-Progress	11/15/2022
36	Testing	Completion of Disaster Recover Strategy and Disaster Recovery Plan	In-Progress	11/30/2022
37	Testing	To-Do Playbook Delivered and User Acceptance Testing Completion - Cycle 2	In-Progress	12/31/2022
59	Testing	User Acceptance Testing Resource Payment #4	In-Progress	12/31/2022
63	Testing	Data Conversion Resource Payment #4	In-Progress	12/31/2022

Project Timeline



- **Plan:** Define project plans for major workstreams and conduct final preparations for Analyze & Design phase.
- **Analyze & Design:** Break down the detailed business process flows into more granular individual activity and steps to determine how the process changes should be designed to support the defined To-Be business processes.
- **Build:** Refine the system requirement, configuration, integration, extension, and data conversion designs until they are concrete and detailed enough to be built.
- **Test:** Test every aspect of the solution to ensure that the end-to-end product works as expected. Training also begins during this phase so that future system users are given the foundational knowledge required to smoothly transition to the new system at Go-Live.
- **Go-Live Prep:** Once the system is fully tested, the effort can shift from building and testing the solution to preparing for it to be put in place.
- **Deploy:** Conduct all Go-Live activities and manage any system issues or defects that may arise once the system is live will so as to address and resolve them during this phase. In addition, this phase will extend beyond the "go-live" date to support operations as the new system is deployed.

V. Earned Value

a. Cost Performance Index

Cost Performance Index (CPI) measures the financial effectiveness and efficiency of a project. It represents the amount of completed work for every unit of cost spent since project inception. This

ratio is calculated by dividing the budgeted cost of work completed by the actual cost of work performed.

The Earned Value calculations are as follows:

Planned Value (PV) is the budgeted cost for the work scheduled to be done.

Actual Costs (AC) is the money spent for the work accomplished.

Earned Value (EV) is the percent of the total budget completed at a point in time. EV = % complete x budget

Cost Performance Index CPI = EV/AC

Schedule Performance Index SPI = EV/PV

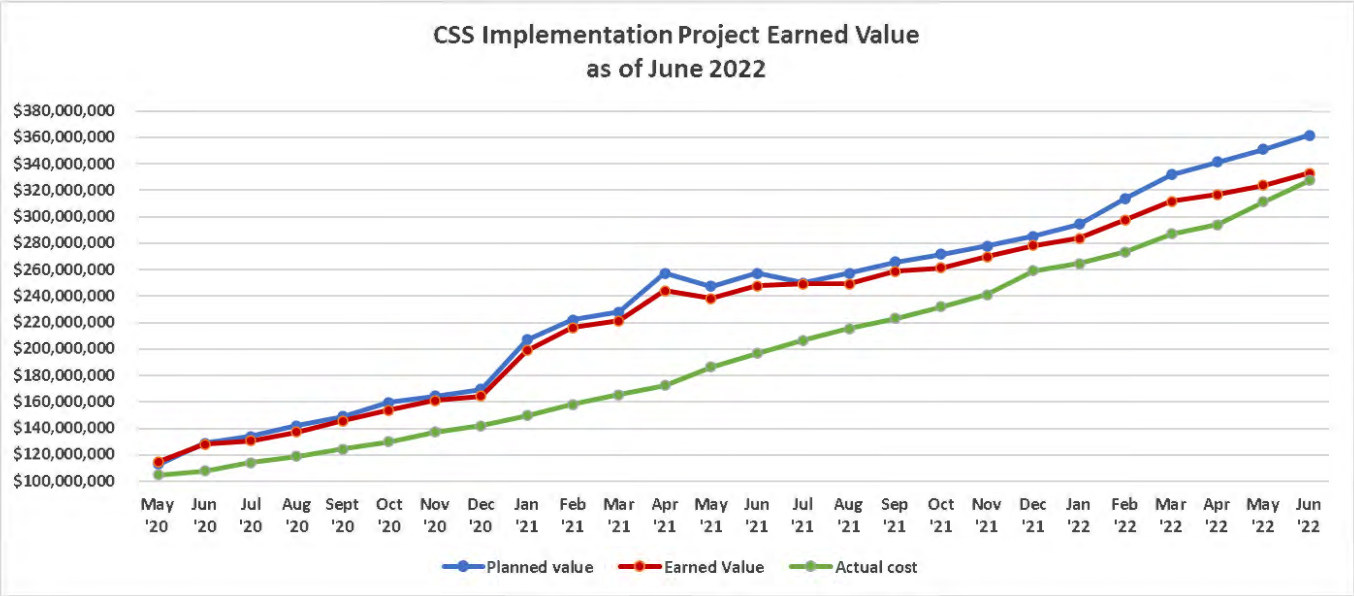
For the second quarter of 2022, the CSS Implementation Project has an average CPI of 1.04, and as of June 30, 2022 the project has a CPI of 1.02. Both of these results indicate that the project continues to underspend against earned value.

b. Schedule Performance Index

Schedule Performance Index (SPI) measures how close the project is to being completed compared to the schedule. The ratio is calculated by dividing the budgeted cost of work performed by the planned value.

For the Earned Value (EV) look-back period ending June 30, 2022, the CSS Implementation project is finalizing outstanding items from the build phase and is well into system integration testing user acceptance testing activities. While the CPI continues to show underspending against earned value, actual costs continue to fall more in line with earned value. The SPI shows constant progress against the plan. As of June 30, 2022, the SPI for the project is at .92.

The average SPI decreased from .95 during the first quarter to .92 for the second quarter of 2022. The EV trend continues to support the conclusion that the CORE project is earning close to the planned value while underspending.



VI. Organizational Change Management ("OCM")

OCM Strategy Document and Update

The Organizational Change Management (OCM) team continues to progress its change management strategy via stakeholder engagement and communications, business readiness activities, and training development plans. Specific activities include executing targeted communications and engagement efforts to keep business stakeholders informed of project progress, finalizing the business readiness criteria and validation process with key business areas to assess business readiness for system go-live, and continuing the development of training content and materials in anticipation of end-user training delivery, which commences in October 2022.

In the second quarter of 2022, OCM conducted Town Hall style presentations for employees from all key business stakeholder organizations to provide an update on the CSS Implementation efforts to date. Topics covered included an in-depth review of the Oracle Customer Care and Billing (CC&B) training activities and timeline, upcoming process and technology changes with the implementation of Oracle CC&B, and a pre-recorded

demonstration of the CC&B user interface and features, utilizing successfully converted account data.

To support the CORE program Business Readiness strategy, OCM has worked closely with the business organizations' Business Implementation Leads (BILs) to review and finalize their targeted business readiness criteria, which will address the key aspects of their organizations' readiness prior to go-live. The readiness criteria will be managed in a business readiness scorecard to be validated by the BILs monthly starting in August 2022.

As part of its training strategy efforts, OCM continued its activities to support the development of CC&B training content and materials, including short informational videos/micro-learnings, web-based learning content, and course modules for virtual instructor-led training. Train-the-trainer activities are on schedule to commence in August 2022, and end-user training will begin in late October 2022.

CSS Implementation

Status Report

October 14, 2022

I. Introduction

Consolidated Edison Company of New York, Inc. ("Con Edison" or the "Company") submits its October 15, 2022 update on Con Edison's Customer Service System ("CSS") implementation project.[1]

II. CSS Project Update

The CORE[2] CSS implementation project remains on schedule to go live in May 2023. The project performed several key activities in the third quarter of 2022. As the project progressed into the third quarter, critical testing and change management activities were executed and plans for upcoming project phases were refined and finalized. Some of the critical activities that occurred during the third quarter included:

- Oracle Utility Analytics (OUA) System Integration Test (SIT) commenced on schedule on July 4, 2022 and 771 (50 percent) Test Cases have been executed to date.
- CC&B SIT cycle three started on schedule in August, with a scope of approximately 8,000 Test Cases.
- User Acceptance testing (UAT) cycle one started on schedule in September.
- Performance Test Dry Runs started on schedule in September.
- Train the Trainer activities were conducted with end user training scheduled to begin in October 2022.
- The Deployment workstream held 100 cutover workshops.
- 64 of the Business Freeze Planning workshops have occurred.
- 4 Go-Live Readiness workshops have been conducted.

[1] Cases 19-E-0065/19-G-0066, Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plan ("Rate Order"), January 16, 2020.
[2] Con Edison's CSS implementation team is called CORE (Con Edison and Orange & Rockland Engagement).

During the third quarter of 2022, the Project Team created multiple testing environments to support the preparation and execution of multiple testing phases. The execution of UAT and SIT testing phases require data to be extracted from source systems, converted, and loaded into the appropriate CC&B test environment. The Company continued its planning for Parallel Bill Testing, System Performance Testing, and Operation Readiness Testing was also conducted throughout the third quarter of 2022. Additional items -- Parallel Bill Testing, Performance Testing, a cyber security penetration test and disaster recovery testing – are scheduled to occur in the fourth quarter of 2022. Additionally, Operational Readiness Testing is scheduled to commence in the first quarter of 2023.

III. Project Cost Performance

a. Project Cost Variance (budget v. actual)[3]

As noted in previous quarterly reports, the CSS implementation project is subject to a $421 million cap on capital expenditures per the 2020 Rate Order.[4] The Company's current revenue requirements do not reflect any carrying costs associated with CSS since the system will not go into service until 2023. For 2022 ("Rate Year 3"), the Company's rate plans forecasted CSS capital expenditures of $126.5 million. So far in Rate Year 3, the Company has spent 83% of the forecasted capital costs, or $104.4 million. The Company is projecting to spend a total of $136.5 million in 2022, which is $10 million over the budgeted Rate Year 3 capital plan, but the overall capital spend for the entire project remains at $421 million. The Company has requested the remaining funds needed to complete the implementation of the new CSS in its current rate proceeding (Cases 22-E-0064 and 22-G-0065). The funds requested are within the $421 million cap on capital expenditures.

The Company's existing electric and gas rate plans include a downward-only O&M reconciliation over three years for the CSS project. At the end of the three-year period, any deferral amount will

[3] This report is being filed pursuant to the Con Edison Rate Order and, as such, discusses only the Con Edison portion of the project costs. For informational purposes, cost tables include the full project costs, including O&R's allocation of such costs.

[4] Rate Order, Joint Proposal, Section D.4.a. The Con Edison portion is capped at $421 million. The O&R allocation for the project is projected to be $34 million, for a total capital cost of $455 million for the project.

be used for CSS implementation, as authorized in future rate plans. Any deferral amount at the end of CSS implementation will be credited to customers.[5] For Rate Year 3, the Company forecasted CSS O&M expenditures of $9.6 million. To date, the Company has spent 51% of the forecasted O&M total, or $4.9 million in Rate Year 3.

The following chart details the third quarter 2022 budget results:

Thousands ('000)	Q3 2022			Project To Date Cost		
CECONY	**Actuals**	**Budget**	**Variance**	**Actuals**	**Budget**	**Balance**
Capital	$ 43,252	$ 34,231	$ 9,021	$ 338,840	$ 421,000	$ 82,160
O&M	$ 1,709	$ 2,093	$ (383)	$ 10,756	$ 36,000	$ 25,244
Total CECONY	$ 44,961	$ 36,324	$ 8,637	$ 349,596	$ 457,000	$ 107,404
O&R						
Capital	$ 2,874	$ 2,446	$ 428	$ 25,940	$ 34,000	$ 8,060
O&M	$ 235	$ 182	$ 53	$ 811	$ 3,000	$ 2,189
Total O&R	$ 3,109	$ 2,628	$ 481	$ 26,751	$ 37,000	$ 10,249
Total CECONY & O&R	**$ 48,070**	**$ 38,952**	**$ 9,118**	**$ 376,347**	**$ 494,000**	**$ 117,653**

As shown in the chart above, for the third quarter of 2022, Con Edison had a capital overrun of $9.0 million and O&M had an underrun of $383,000 compared to the budget for this time period. The capital variance was driven by legacy contractor costs that were originally budgeted for the first and second quarters but were incurred during the third quarter. The O&M variance was driven by timing of temporary call center support for go-live that was originally budgeted to begin in the second quarter.

b. Change Control Metrics (approved v. rejected)

Scope and change management procedures for the CSS implementation project are documented in the statement of work between Con Ed and the System Integrator Contractor.

[5] *Id.* at Section E.16.

In total, the project has approved 36 change requests. To date, 19 change requests have been approved in 2022. Seven change requests were approved in the first quarter, 11 in the second quarter of 2022, and one in the third quarter. The third quarter change request had no associated cost impacts and was made to better align milestone deliverables.

IV. Project Schedule Performance

a. Schedule Adherence

The CSS Implementation project is currently on schedule and is progressing through project phases as planned. The table below shows the progress through the project phases and overall project completion:

		% Complete	
Phase	**Dates**	**June 30, 2022**	**September 30, 2022**
Planning	1/2/20 – 3/31/20	100%	100%
Analyze & Design	4/1/20 – 2/26/21	100%	100%
Build & User Testing[6]	1/4/21 – 3/31/22	99%	99%
Testing	1/3/22 – 2/28/23	34%	48%
Overall Project Progress		62%	66%

b. Project Milestones

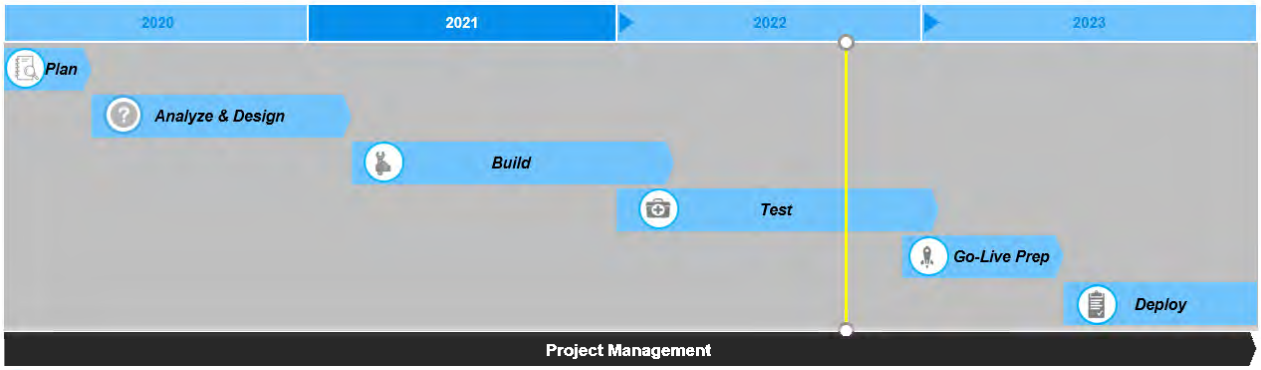
All milestones through the end of the third quarter have been completed.

2022 Milestones				
Milestone #	Phase	Milestone Description	Status	Milestone Due Date
27	Build and User Test	System Testing Completion - Cycle 3 and Phase Completion	Completed	1/31/2022
28	Testing	Communications Stage Gate	Completed	2/28/2022
29	Testing	Conversion Testing and Data Clean-up Completion	Completed	3/31/2022
56	Testing	Data Conversion/User Acceptance Testing Resources Payment #1	Completed	3/31/2022

[6] The Build & User Testing phase remains open to accommodate project change request that are mandatory and must be incorporated into the new CSS.

60	Testing	Data Conversion Resource Payment #1	Completed	3/31/2022
30	Testing	System Integration Testing Completion - Cycle 1	Completed	4/30/2022
49	Testing	Extension (New and Rework) - Design and Build Completion	Completed	5/15/2022
31	Testing	Train the Trainer Materials Completion	Completed	5/31/2022
50	Testing	Integration – Design Completion – R4	Completed	6/15/2022
57	Testing	Data Conversion/User Acceptance Testing Resources Payment #2	Completed	6/30/2022
61	Testing	Data Conversion Resource Payment #2	Completed	6/30/2022
32	Testing	System Integration Testing Completion - Cycle 2	Completed	7/15/2022
64	Testing	UAT Resources Payment #1	Completed	7/31/2022
33	Testing	System Integration Testing Completion - Cycle 3 and Phase Completion	Completed	8/28/2022
65	Testing	UAT Resources Payment #2	Completed	8/31/2022
51	Testing	Completion of Bridge Testing, SIT2 Testing, Build for R4 Integration, Design for R5 Integration, Build of Rework Integrations Items.	Completed	9/15/2022
34	Testing	Training Materials Completion	Completed	9/30/2022
58	Testing	Data Conversion/User Acceptance Testing Resources Payment #3	Completed	9/30/2022
62	Testing	Data Conversion Resource Payment #3	Completed	9/30/2022
66	Testing	UAT Resources Payment #3	Completed	9/30/2022
35	Testing	User Acceptance Testing Completion - Cycle 1	In-Progress	10/30/2022
67	Testing	UAT Resources Payment #4	In-Progress	10/31/2022
52	Testing	OCM - Training content completion for additional work	In-Progress	11/15/2022
36	Testing	Completion of Disaster Recover Strategy and Disaster Recovery Plan	In-Progress	11/30/2022
68	Testing	UAT Resources Payment #5	In-Progress	11/30/2022
37	Testing	To-Do Playbook Delivered and User Acceptance Testing Completion - Cycle 2	In-Progress	12/31/2022
59	Testing	User Acceptance Testing Resource Payment #4	In-Progress	12/31/2022
63	Testing	Data Conversion Resource Payment #4	In-Progress	12/31/2022
69	Testing	UAT Resources Payment #6	In-Progress	12/31/2022

Project Timeline



- **Plan:** Define project plans for major workstreams and conduct final preparations for Analyze & Design phase.
- **Analyze & Design:** Break down the detailed business process flows into more granular individual activity and steps to determine how the process changes should be designed to support the defined To-Be business processes.
- **Build:** Refine the system requirement, configuration, integration, extension, and data conversion designs until they are concrete and detailed enough to be built.
- **Test:** Test every aspect of the solution to ensure that the end-to-end product works as expected. Training also begins during this phase so that future system users are given the foundational knowledge required to smoothly transition to the new system at Go-Live.
- **Go-Live Prep:** Once the system is fully tested, the effort can shift from building and testing the solution to preparing for it to be put in place.
- **Deploy:** Conduct all Go-Live activities and manage any system issues or defects that may arise once the system is live will so as to address and resolve them during this phase. In addition, this phase will extend beyond the "go-live" date to support operations as the new system is deployed.

V. Earned Value

a. Cost Performance Index

Cost Performance Index (CPI) measures the financial effectiveness and efficiency of a project. It represents the amount of completed work for every unit of cost spent since project inception. This ratio is calculated by dividing the budgeted cost of work completed by the actual cost of work performed.

The Earned Value calculations are as follows:

Planned Value (PV) is the budgeted cost for the work scheduled to be done.

Actual Costs (AC) is the money spent for the work accomplished.

Earned Value (EV) is the percent of the total budget completed at a point in time. EV = % complete x budget

Cost Performance Index CPI = EV/AC

Schedule Performance Index SPI = EV/PV

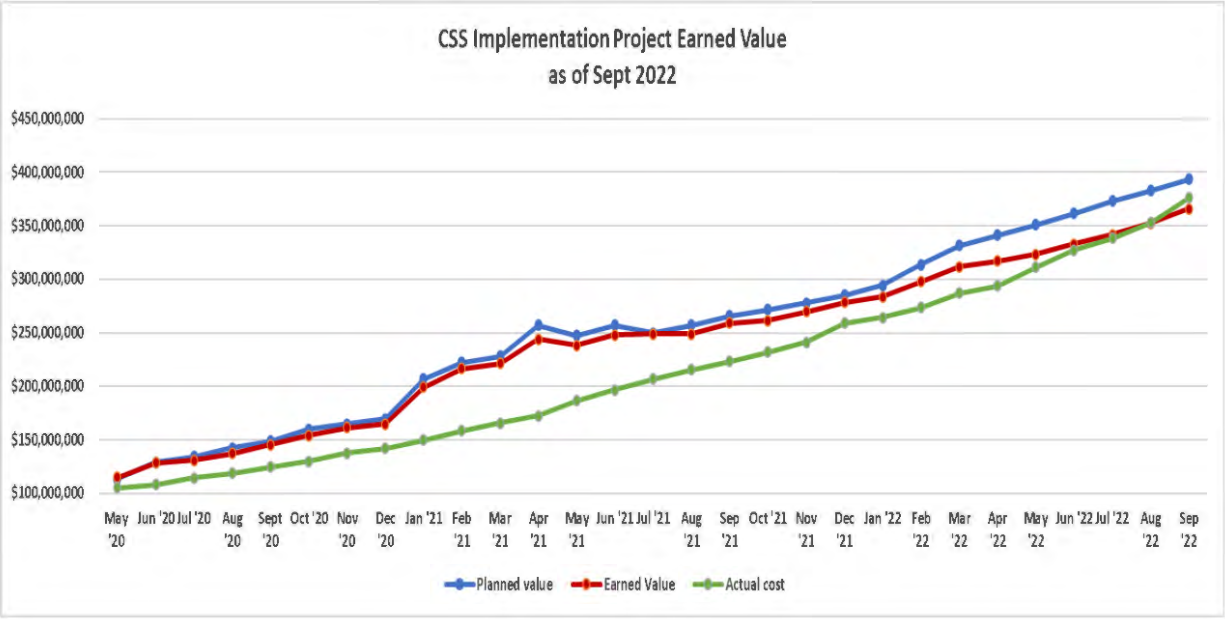
For the third quarter of 2022, the CSS Implementation Project has an average CPI of .99, and as of September 30, 2022, the project has a CPI of .97. The average CPI for the quarter shows that the project is spending close to the earned value for the quarter.

b. Schedule Performance Index

Schedule Performance Index (SPI) measures how close the project is to being completed compared to the schedule. The ratio is calculated by dividing the budgeted cost of work performed by the planned value.

For the Earned Value (EV) look-back period ending September 30, 2022, the CSS Implementation project is finalizing outstanding items from the build phase and is well into system integration testing and user acceptance testing activities. While the CPI shows a slight overspending against earned value, the SPI shows constant progress against the plan. As of September 30, 2022, the SPI for the project remains at .93.

The average SPI for the third quarter of 2022 is .92. The EV trend indicates that that the CORE project is earning close to the planned value while slightly overspending.



VI. Organizational Change Management ("OCM")

OCM Strategy Document and Update

The Organizational Change Management (OCM) team continues to implement its change management strategy, business readiness activities, and training efforts through targeted communications and engagement programs. Stakeholders are informed of project progress, upcoming changes, and the monthly business readiness criteria validation process. Key business areas assess their business readiness for system go-live and the development of training content and materials are being finalized. Formal instructor train-the-trainer sessions for CORE program end-user training delivery commenced in October 2022.

In Q3 2022, OCM hosted virtual Town Hall presentations for employees of key business stakeholder organizations, providing live demonstrations of the future state customer service system, Oracle CC&B, to highlight the key functions and features that have been built and tested in the new system. Four topics were presented throughout the quarter, including CC&B General Navigation, Start/Stop/Transfer Service, Billing, and Credit/Collections/Payments. All sessions were recorded and made available to employees who could not attend the live demonstrations. The CORE team conducted a corporate-wide CORE project overview at the Company's Technically Speaking Seminar, which is offered to all Company employees.

Starting in August 2022, OCM launched the Business Readiness and Validation cycle process with each business organization's Business Implementation Lead (BIL) and utilized the business readiness criteria developed with each BIL to address the key aspects of their organization's readiness prior to go-live. The readiness criteria are managed in a business readiness scorecard. The scorecard is reviewed and validated by the BILs with their business leadership and subject matter experts. The OCM Business Readiness team meets with each BIL to report the status of their scorecards and discuss accomplishments or any issues that need to be mitigated. The Business Readiness and Validation cycle process will continue on a monthly basis leading to go-live.

The OCM Training Team concluded its training development efforts with Training Pilots to provide a detailed dry run of course materials. The training pilots were led by OCM training

developers and provided to key business subject matter experts. The training pilot sessions are intended to make sure that our course materials and course structures are ready to be delivered to our trainers for the train-the-trainer sessions. OCM commenced its 9-week train-the-trainer sessions in late August to upskill our training instructors on the Oracle CC&B platform and business processes. The train-the-trainer sessions will conclude in October and lead to the formal launch of end-user training in late October 2022.

CSS Implementation

Status Report

January 17, 2023

I. Introduction

Consolidated Edison Company of New York, Inc. ("Con Edison" or the "Company") submits its January 17, 2023 update on Con Edison's Customer Service System ("CSS") implementation project.[1]

II. CSS Project Update

The CORE[2] CSS implementation project continues to progress and has started to conduct deployment and cut over readiness activities as part of the plan to go live in May 2023. The project progressed through several key activities in the fourth quarter of 2022 but has experienced a recent increase in the cost to implement that the Company is monitoring. (See Section V below.) During the fourth quarter the project continued to perform critical System Integration Testing ("SIT") and User Acceptance Testing and began Parallel Billing testing. The project team executed Parallel Billing for six bill cycles, the results of which are being analyzed for accuracy and to identify billing exceptions that need to be corrected prior to going live. Cut over and deployment planning activities are being conducted as the project enters the final phases of implementation. Internal and external stakeholders have been identified and workshop sessions have been held to discuss cut over and deployment requirements and expectations. Some additional fourth quarter activities include:

- Continued data cleansing activities so that complete and accurate data is converted to Customer Care and Billing ("CC&B") during the cut over weekend.
- Identified and resolved defects for key Oracle Utility Analytics ("OUA") reports.
- Conducted business freeze discovery workshops with internal stakeholders to develop business freeze plans.

[1] Cases 19-E-0065/19-G-0066, Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plan ("Rate Order"), January 16, 2020.
[2] Con Edison's CSS implementation team is called CORE (Con Edison and Orange & Rockland Engagement).

- Conducted performance tuning on key customer-facing integrations to ensure positive customer experience with new system.
- Completed the build of 14 interfaces and entered the final SIT phase.
- Conducted tabletop walkthroughs of deployment plans as part of the go-live readiness checkpoints and Operational Readiness Testing scenario discussions.
- Maintained 57 CC&B environments and 10 OUA environments required to support all project activities.
- Continued end user training as scheduled, with over 460 training classes conducted.

In the fourth quarter of 2022, the project team also held Electronic Data Interchange ("EDI") provider and ESCO testing kick off meetings so that third parties can interact with Con Edison once the CC&B system goes live. Operational Readiness Testing and End-to-End testing are scheduled to commence in the first quarter of 2023.

III. Project Cost Performance

a. Project Cost Variance (budget v. actual)[3]

The Company's current revenue requirements do not reflect any carrying costs associated with CSS. For 2022 ("Rate Year 3"), the Company's rate plans forecasted CSS capital expenditures of $126.5 million. For Rate Year 3, the Company spent 113.6% of the forecasted capital costs, or $143.8 million.

The Company's current electric and gas rate plans include a downward-only O&M reconciliation over three years for the CSS project. At the end of the three-year period, any deferral amount will be used for CSS implementation, as authorized in future rate plans. Any deferral amount at the end of CSS implementation will be credited to customers.[4] For Rate Year 3, the Company forecasted

[3] This report is being filed pursuant to the Con Edison Rate Order and, as such, discusses only the Con Edison portion of the project costs. For informational purposes, cost tables include the full project costs, including O&R's allocation of such costs.
[4] *Id.* at Section E.16.

CSS O&M expenditures of $9.6 million. The Company spent 99% of the forecasted O&M total for Rate Year 3.

The following chart details the fourth quarter 2022 budget results:

Thousands ('000)	Q4 2022			Project To Date Cost		
CECONY	**Actuals**	**Budget**	**Variance**	**Actuals**	**Budget**	**Balance**
Capital	$ 39,351	$ 28,608	$ 10,743	$ 378,192	$ 421,000	$ 42,808
O&M	$ 4,638	$ 3,178	$ 1,459	$ 15,394	$ 36,000	$ 20,606
Total CECONY	$ 43,989	$ 31,787	$ 12,202	$ 393,586	$ 457,000	$ 63,414
O&R						
Capital	$ 2,953	$ 2,476	$ 477	$ 28,893	$ 34,000	$ 5,107
O&M	$ 311	$ 182	$ 128	$ 1,121	$ 3,000	$ 1,879
Total O&R	$ 3,263	$ 2,658	$ 605	$ 30,014	$ 37,000	$ 6,986
Total CECONY & O&R	**$ 47,252**	**$ 34,445**	**$ 12,807**	**$ 423,600**	**$ 494,000**	**$ 70,400**

As shown in the chart above, for the fourth quarter of 2022, Con Edison had a capital overrun of $10.7 million and an O&M overrun of $1.5 million compared to the budget for this period. The capital variance was driven by IT costs (due to significantly more legacy IT integrations and expanded scope of the CSS upgrade as new requirements have been added) and the work required to resolve customer billing exceptions prior to go-live to avoid potential complications caused by carrying billing exceptions over to a new system. The O&M variance was driven by the longer-than-anticipated ramp-up of temporary call center support for go-live. The O&M costs for the temporary call center support was originally budgeted to begin in the second quarter but continue into the fourth quarter.

b. Change Control Metrics

In the initial statement of work, the Company and the System Integrator agreed to a change control process to allow for modifications of milestone deliverables or the addition of new scope. Under

this process, the Company and the System Integrator must agree to any additional scope or changes to the milestone deliverables that were included in the initial statement of work.

In total, the project has approved 44 change requests, 27 of them in 2022. In 2022, seven change requests were approved in the first quarter, 11 in the second quarter, one in the third quarter, and eight in the fourth quarter. Six of the fourth-quarter change requests had associated cost impacts, while two shifted project deliverables from their previously agreed-to milestones to a more appropriate milestone based on the refinement of project plans. Of the six change requests with costs impacts, five brought on supplemental staffing to complete necessary project work and one was for additional project scope related to updating bill usage formatting. The total cost for all fourth-quarter change requests was $6.2 million.

IV. Project Schedule Performance

a. Schedule Adherence

The CSS Implementation project is currently progressing through project phases as planned but completion of successful testing is the key to having the project go live as planned. The table below shows the progress through the project phases and overall project completion:

		% Complete	
Phase	**Dates**	**September 30, 2022**	**December 31, 2022**
Planning	1/2/20 – 3/31/20	100%	100%
Analyze & Design	4/1/20 – 2/26/21	100%	100%
Build & User Testing[5]	1/4/21 – 3/31/22	99%	99%
Testing	1/3/22 – 2/28/23	48%	66%
Overall Project Progress		66%	72%

[5] The Build & User Testing phase remains open to accommodate project change request that are mandatory and must be incorporated into the new CSS.

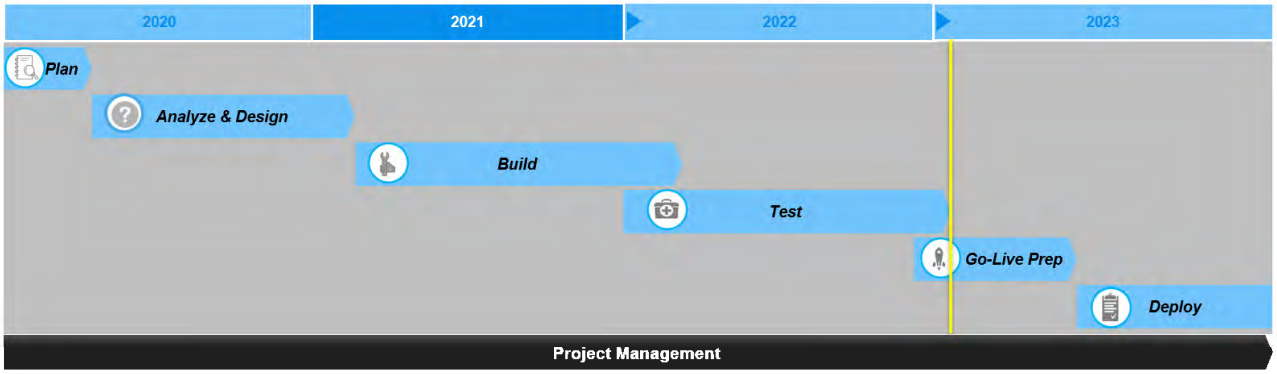
b. Project Milestones

Seven of the nine fourth quarter milestones have been completed.

2022 Milestones				
Milestone #	Phase	Milestone Description	Status	Milestone Due Date
27	Build and User Test	System Testing Completion - Cycle 3 and Phase Completion	Completed	1/31/2022
28	Testing	Communications Stage Gate	Completed	2/28/2022
29	Testing	Conversion Testing and Data Clean-up Completion	Completed	3/31/2022
56	Testing	Data Conversion/User Acceptance Testing Resources Payment #1	Completed	3/31/2022
60	Testing	Data Conversion Resource Payment #1	Completed	3/31/2022
30	Testing	System Integration Testing Completion - Cycle 1	Completed	4/30/2022
49	Testing	Extension (New and Rework) - Design and Build Completion	Completed	5/15/2022
31	Testing	Train the Trainer Materials Completion	Completed	5/31/2022
50	Testing	Integration – Design Completion – R4	Completed	6/15/2022
57	Testing	Data Conversion/User Acceptance Testing Resources Payment #2	Completed	6/30/2022
61	Testing	Data Conversion Resource Payment #2	Completed	6/30/2022
32	Testing	System Integration Testing Completion - Cycle 2	Completed	7/15/2022
64	Testing	UAT Resources Payment #1	Completed	7/31/2022
33	Testing	System Integration Testing Completion - Cycle 3 and Phase Completion	Completed	8/28/2022
65	Testing	UAT Resources Payment #2	Completed	8/31/2022
51	Testing	Completion of Bridge Testing, SIT2 Testing, Build for R4 Integration, Design for R5 Integration, Build of Rework Integrations Items.	Completed	9/15/2022
34	Testing	Training Materials Completion	Completed	9/30/2022
58	Testing	Data Conversion/User Acceptance Testing Resources Payment #3	Completed	9/30/2022
62	Testing	Data Conversion Resource Payment #3	Completed	9/30/2022
66	Testing	UAT Resources Payment #3	Completed	9/30/2022
35	Testing	User Acceptance Testing Completion - Cycle 1	Completed	10/30/2022
67	Testing	UAT Resources Payment #4	Completed	10/31/2022
52	Testing	OCM - Training content completion for additional work	Completed	11/15/2022
36	Testing	Completion of Disaster Recover Strategy and Disaster Recovery Plan	In-Progress	11/30/2022
68	Testing	UAT Resources Payment #5	Completed	11/30/2022

37	Testing	To-Do Playbook Delivered and User Acceptance Testing Completion - Cycle 2	In-Progress	12/31/2022
59	Testing	User Acceptance Testing Resource Payment #4	Completed	12/31/2022
63	Testing	Data Conversion Resource Payment #4	Completed	12/31/2022
69	Testing	UAT Resources Payment #6	Completed	12/31/2022

Project Timeline



- **Plan:** Define project plans for major workstreams and conduct final preparations for Analyze & Design phase.
- **Analyze & Design:** Break down the detailed business process flows into more granular individual activity and steps to determine how the process changes should be designed to support the defined To-Be business processes.
- **Build:** Refine the system requirement, configuration, integration, extension, and data conversion designs until they are concrete and detailed enough to be built.
- **Test:** Test every aspect of the solution to ensure that the end-to-end product works as expected. Training also begins during this phase so that future system users are given the foundational knowledge required to smoothly transition to the new system at Go-Live.
- **Go-Live Prep:** Once the system is fully tested, the effort can shift from building and testing the solution to preparing for it to be put in place.
- **Deploy:** Conduct all Go-Live activities and manage any system issues or defects that may arise once the system is live will so as to address and resolve them during this phase. In addition, this phase will extend beyond the "go-live" date to support operations as the new system is deployed.

V. Earned Value

a. Cost Performance Index

Cost Performance Index ("CPI") measures the financial effectiveness and efficiency of a project. It represents the amount of completed work for every unit of cost spent since project inception. This ratio is calculated by dividing the budgeted cost of work completed by the actual cost of work performed.

The Earned Value calculations are as follows:

Planned Value (PV) is the budgeted cost for the work scheduled to be done.

Actual Costs (AC) is the money spent for the work accomplished.

Earned Value (EV) is the percent of the total budget completed at a point in time. EV = % complete x budget

Cost Performance Index CPI = EV/AC

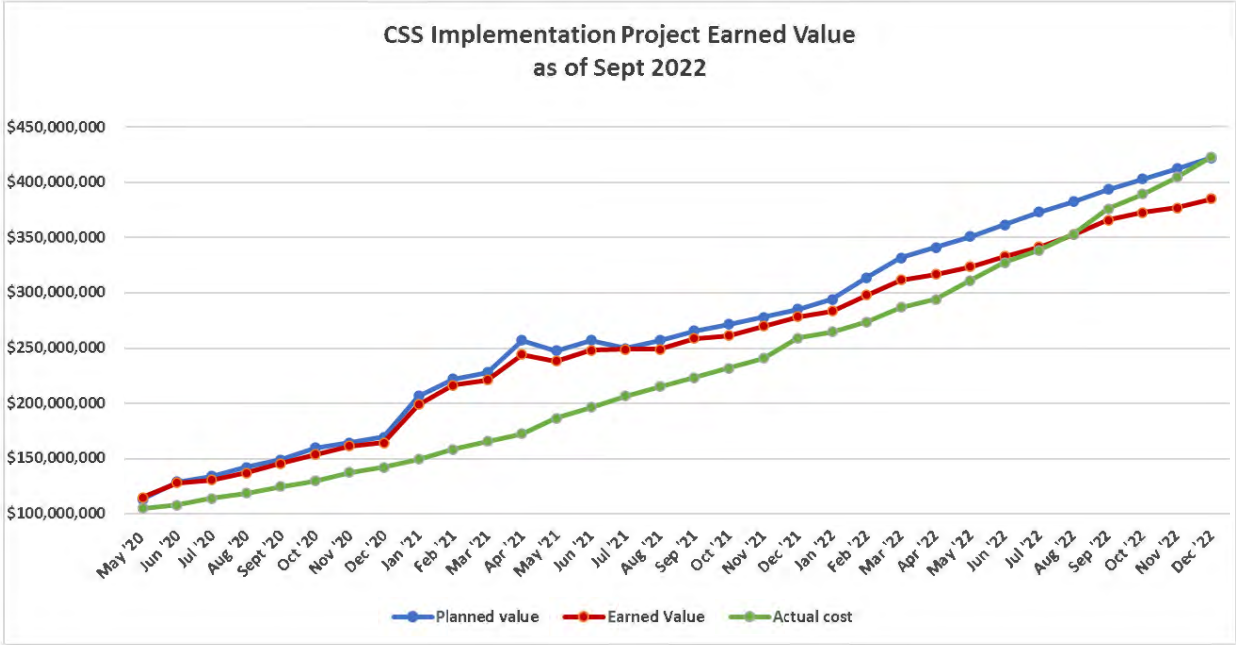
Schedule Performance Index SPI = EV/PV

For the fourth quarter of 2022, the CSS Implementation Project has an average CPI of .93, and as of December 31, 2022, the project has a CPI of .91. The average CPI for the quarter shows that while the project is currently overspending, it remains close to the earned value for the quarter.

b. Schedule Performance Index

Schedule Performance Index ("SPI") measures how close the project is to being completed compared to the schedule. The ratio is calculated by dividing the budgeted cost of work performed by the planned value.

For the Earned Value ("EV") look-back period ending December 31, 2022, the Company has initiated the final SIT phase, continues to make progress in UAT, and has begun Parallel Billing activities where the project team compares billing outputs using the existing billing system and the new billing system to identify billing types needing additional focus. While the CPI shows overspending against earned value, the SPI shows consistent progress against the plan. As of December 31, 2022, the SPI for the project is .91. The average SPI for the fourth quarter of 2022 remained at .92 from the previous quarter's average.



VI. Organizational Change Management ("OCM")

OCM Strategy Document and Update

The Organizational Change Management ("OCM") team continues to progress its change management strategy, business readiness activities, and training efforts by continuing its targeted communications and engagement program to inform its business stakeholders of project progress and upcoming changes and by executing the monthly business readiness criteria validation process with key business areas to assess their business readiness for system go-live. The team finalized development of all Oracle CC&B end-user training content and materials, successfully conducted an intensive 9-week train-the-trainer program for 40+ trainers and delivery support resources, and launched end-user training on October 24, 2022.

With the launch of end-user training, a major focus of the engagement and communications activities with key business stakeholders is their preparations for training. The OCM team hosted virtual sessions to inform employees of what they could expect during training. These sessions were directed for specific end-user groups based on their role and training curriculum. In the sessions,

end users learned what topics would be covered in training, approximately how many hours of training they would receive and over what time period, when they could expect to receive invites, and what additional resources would be available to them to complement their training experience, e.g., online resources, quick reference guides, and step-by-step procedures. The OCM team met with General Managers and Section Managers to ensure their awareness of the detailed training schedule, the attendance management process, and student expectations. Since the start of training, the OCM team has worked closely with all key business stakeholder groups to deliver a training program that prepares employees for go-live while also allowing for business operations to continue operating effectively during training.

OCM has continued the monthly Business Readiness Validation cycles with each business organization's Business Implementation Lead (BIL). The OCM Business Readiness team meets with each BIL to report the status of their scorecards and discuss accomplishments or any issues that need to be mitigated. By utilizing the business readiness criteria developed with each BIL, the OCM team has identified key areas of readiness to prioritize and has worked with the broader implementation team to address gaps in knowledge and readiness related to the program. Since commencing these cycles in August 2022, overall business readiness metrics for go-live have continued to increase. The Business Readiness Validation cycles will be conducted monthly and increase in frequency in the two months prior to go-live.

The OCM team's efforts in 2023 will be focused on delivering a successful training program to prepare our end users for go-live, monitoring business readiness, defining and supporting implementation of mitigations as necessary to enhance readiness, and working closely with the broader program team to deliver communications that are essential for go-live preparations and business stakeholder understanding and support of go-live efforts.

CSS Implementation

Status Report

April 17, 2023

I. Introduction

Consolidated Edison Company of New York, Inc. ("Con Edison" or the "Company") submits its April 17, 2023 update on Con Edison's Customer Service System ("CSS") implementation project.[1]

II. CSS Project Update

For the reasons discussed further below, the Company has updated the CCS go-live date to September 4, 2023 to allow more time to complete the activities necessary for a successful system implementation.

While the project team continues to make progress across all testing activities, System Integration Testing (SIT), User Acceptance Testing (UAT), and Parallel Bill Testing have outstanding tasks that represent key dependencies for subsequent testing phases. Commencing downstream testing without successfully completing these prerequisite testing activities would create risks to the transition to the new CSS. In light of the Company's commitment to transition to the new system only when fully ready, the go-live date has been postponed to allow for more time to complete necessary testing activities. The project team communicated the new date to its external stakeholders that will need to integrate with the new system once it goes live. Regular meetings have been held with external stakeholders to discuss any concerns they may have and to review how the adjusted go-live date impacts project activities.

During the first quarter of 2023, the project team concluded SOX controls unit testing, with 126 SOX controls tests executed. The next phase of SOX controls testing will be executed during End-to-End testing and will be validated by SOX controls owners. The project has also undertaken several activities in preparation for CSS deployment. The primary goal of the activities was to identify potential issues ahead of the cut-over weekend and to inform key stakeholders of their roles and responsibilities. Three all-day IT tabletop drills were held with IT system owners throughout the Company to walk through the steps needed to integrate edge systems with the

[1] Cases 19-E-0065/19-G-0066, Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plan ("Rate Order"), January 16, 2020.

new CSS during the cut-over weekend. The drills were attended by over 100 internal stakeholders, and lessons learned have been incorporated into the overall new CSS deployment plan. An additional tabletop drill was conducted with representatives from IT and other internal stakeholders from various areas within the Company to identify potential business process issues to be mitigated so that the transition to the new CSS does not adversely impact day-to-day operations. The project team also conducted monthly internal go-live readiness self-assessments based on the status of selected project areas. The self-assessments helped the project team understand what areas of the project need an increased focus before the cut-over weekend. Some additional first quarter activities included:

- Completed multiple planning workshops in Business Continuity, Business Freeze Planning, and Business Ramp Down and Business Ramp Up in preparation for go-live.
- The Reporting Development Team worked with the Oracle Utility Analytics (OUA) SIT Testing Team to identify, resolve and deploy defect fixes for OUA reports.
- An introductory OUA Basics Tutorial video was created and launched to assist end users when they are pulling reports out of the OUA platform.
- Created an Operational Readiness Test (ORT) Dashboard and continued to develop the ORT Execution Plan.
- The project team began Phase 2 of the planned ESCO EDI testing.

III. Project Cost Performance

a. Project Cost Variance (budget v. actual)[2]

The Company's current revenue requirements do not reflect carrying costs associated with CSS. For 2023 ("Proposed Rate Year 1"), the Company's proposed rate plan forecasted CSS capital expenditures of $59.8 million. For the first quarter of Proposed Rate Year 1, the Company spent 11.3% of the forecasted capital costs, or $6.7 million.

[2] This report is being filed pursuant to the Con Edison Rate Order and, as such, discusses only the Con Edison portion of the project costs. For informational purposes, cost tables include the full project costs, including O&R's allocation of such costs.

The Company's proposed electric and gas rate plans include a downward-only O&M reconciliation for the remainder of the CSS project. Any deferral amount at the end of CSS implementation will be credited to customers.[3] For Proposed Rate Year 1, the Company forecasted CSS O&M expenditures of $27.7 million. The Company spent 23.1% of the forecasted O&M total for the first quarter of Proposed Rate Year 1.

The following chart details the first quarter 2023 budget results:

Thousands ('000)	Q1 2023			Project To Date Cost		
CECONY	**Actuals**	**Budget**	**Variance**	**Actuals**	**Budget**	**Balance**
Capital	$ 6,735	$ 18,103	$ (11,368)	$384,927	$421,000	$ 36,073
O&M	$ 6,398	$ 6,369	$ 29	$ 21,792	$ 36,000	$ 14,208
Total CECONY	$ 13,133	$ 24,473	$ (11,340)	$406,719	$457,000	$ 50,281
O&R						
Capital	$ 1,164	$ 1,328	$ (164)	$ 30,056	$ 34,000	$ 3,944
O&M	$ 340	$ 438	$ (98)	$ 1,461	$ 3,000	$ 1,539
Total O&R	$ 1,503	$ 1,765	$ (262)	$ 31,517	$ 37,000	$ 5,483
Total CECONY & O&R	**$ 14,636**	**$ 26,238**	**$ (11,601)**	**$438,236**	**$494,000**	**$ 55,764**

As shown in the chart above, for the first quarter of 2023, Con Edison had a capital underrun of $11.4 million and an O&M overrun of $29k compared to the budget for this period. The capital variance was driven by delays in Solution Integrator milestone payments. The O&M variance was driven by the timing of hiring provisional call center support staff needed for go-live. The O&M costs for the provisional call center support was originally budgeted to begin in the second quarter 2022 and level out during the beginning of 2023.

[3] Cases 19-E-0065/19-G-0066, Joint Proposal, October 16, 2019, at Section E.16.

b. Change Control Metrics

In the initial statement of work, the Company and the System Integrator agreed to a change control process to allow for modifications of milestone deliverables or the addition of new scope. Under this process, the Company and the System Integrator must agree to any additional scope or changes to the milestone deliverables that were included in the initial statement of work.

In total, the project has approved 45 change requests. In the first quarter of 2023, there was one approved change request that had no associated cost impacts. The first quarter change request was to better align project travel milestone payments with contractor travel plans.

IV. Project Schedule Performance

a. Schedule Adherence

The CSS Implementation project is progressing through project phases in line with its new anticipated go-live date of September 4, 2023. The successful completion of key testing activities and the progression through project dependencies are key to achieving a successful implementation with the updated project schedule. The table below shows the progress through the project phases and overall project completion:

		% Complete	
Phase	**Dates**	**December 31, 2022**	**March 31, 2023**
Planning	1/2/20 – 3/31/20	100%	100%
Analyze & Design	4/1/20 – 2/26/21	100%	100%
Build & User Testing[4]	1/4/21 – 3/31/22	99%	99%
Testing	1/3/22 – 2/28/23	66%	78%
Go-Live Prep	1/2/23 – 5/29/23	-	20%
Overall Project Progress		72%	77%

[4] The Build & User Testing phase remains open to accommodate project change request that are mandatory and must be incorporated into the new CSS.

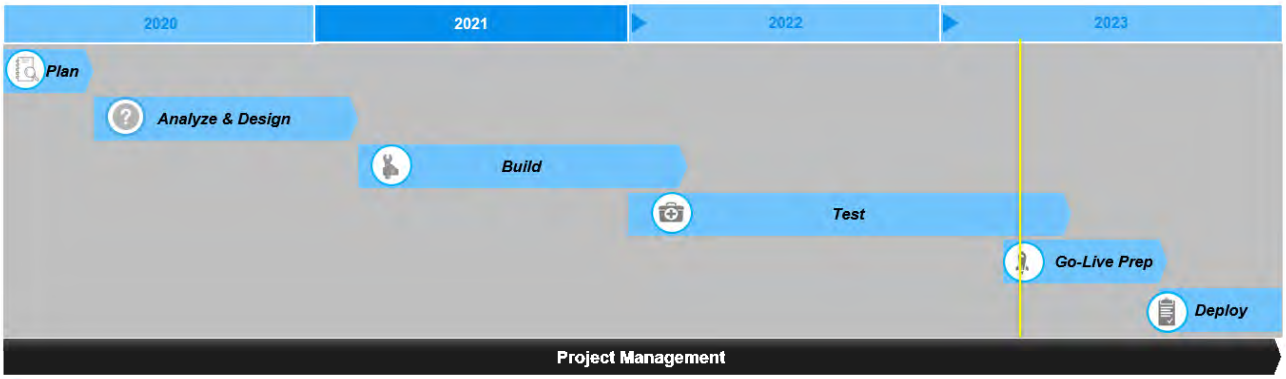
b. Project Milestones

Fourteen of the nineteen first quarter milestones have been completed and one milestone from the fourth quarter of 2022 is still outstanding. The project team anticipates reaching these outstanding milestones in the second quarter of 2023.

2022-2023 Milestones			
Milestone #	**Milestone Descriptions**	**Status**	**Milestone Due Date**
37	To-Do Playbook Delivered and User Acceptance Testing Completion - Cycle 2	In Progress	12/31/2022
92	CR-41 infra services delivered for Nov and Dec 2022	Complete	1/1/2023
53	Completion - SIT3 Testing, Build for R5 Integration, Reporting and Data Conversion Items	In Progress	1/15/2023
38	User Acceptance Testing Completion - Cycle 3 and Phase Completion, Performance Testing Completion, Parallel Bill Testing Completion	In Progress	1/31/2023
70	UAT Resources Payment #7	Complete	1/31/2023
78	Data Conversion Resource Payment #4	Complete	1/31/2023
84	UAT Support Resources Payment	Complete	1/31/2023
89	UAT/VRM Support Resources Payment	Complete	1/31/2023
93	CR-41 infra services delivered for Jan 2023	Complete	2/1/2023
39	Proficiency Optimization Materials Delivered	In Progress	2/28/2023
71	UAT Resources Payment #8	Complete	2/28/2023
79	Data Conversion Resource Payment #5	Complete	2/28/2023
85	UAT Support Resources Payment	Complete	2/28/2023
94	CR-41 infra services delivered for Feb 2023	In Progress	3/1/2023
99	CR-43 Phase 1 design & build completion	Complete	3/1/2023
54	SIT4 Testing Completion	In Progress	3/15/2023
73	Retail Choice Resources Payment #2	Complete	3/31/2023
80	Data Conversion Resource Payment #6	Complete	3/31/2023
86	UAT Support Resources Payment	Complete	3/31/2023
90	UAT/VRM Support Resources Payment	Complete	3/31/2023
95	CR-41 infra services delivered for Mar 2023	In Progress	4/1/2023
81	Data Conversion Resource Payment #7	In Progress	4/30/2023
87	UAT Support Resources Payment	In Progress	4/30/2023
96	CR-41 infra services delivered for Apr 2023	In Progress	5/1/2023
102	CR-43 Phase 2 design & build completion	In Progress	5/1/2023
40	Dress Rehearsals Completion	In Progress	5/15/2023
55	Completion - OCM Training for additional work, Reporting Testing	In Progress	5/15/2023
41	Operational Readiness Test Completion, Business Readiness Validation Reports Delivered, Go-Live	In Progress	5/31/2023
82	Data Conversion Resource Payment #8	In Progress	5/31/2023
88	UAT Support Resources Payment	In Progress	5/31/2023
97	CR-41 infra services delivered for May 2023	In Progress	6/1/2023
100	CR-43 Phase 1 SIT & deployment completion	In Progress	6/1/2023
74	Retail Choice Resources Payment #3	In Progress	6/30/2023

83	Data Conversion Resource Payment #9	In Progress	6/30/2023
91	UAT/VRM Support Resources Payment	In Progress	6/30/2023
98	CR-41 infra services delivered for Jun 2023	In Progress	6/30/2023
42	Stabilization/Post Implementation Support Completion - 1	In Progress	7/21/2023
101	CR-43 Phase 1 warranty completion	In Progress	8/31/2023
43	Final Acceptance	In Progress	9/1/2023
103	CR-43 Phase 2 SIT & deployment completion	In Progress	9/1/2023
44	Stabilization/Post Implementation Support Completion - 2	In Progress	10/16/2023
45	Stabilization/Post Implementation Support Completion - 3	In Progress	11/30/2023
104	CR-43 Phase 2 warranty completion	In Progress	11/30/2023

Project Timeline



- **Plan:** Define project plans for major workstreams and conduct final preparations for Analyze & Design phase.
- **Analyze & Design:** Break down the detailed business process flows into more granular individual activity and steps to determine how the process changes should be designed to support the defined To-Be business processes.
- **Build:** Refine the system requirement, configuration, integration, extension, and data conversion designs until they are concrete and detailed enough to be built.
- **Test:** Test every aspect of the solution to ensure that the end-to-end product works as expected. Training also begins during this phase so that future system users are given the foundational knowledge required to smoothly transition to the new system at Go-Live.
- **Go-Live Prep:** Once the system is fully tested, the effort can shift from building and testing the solution to preparing for it to be put in place.
- **Deploy:** Conduct all Go-Live activities and manage any system issues or defects that may arise once the system is live will so as to address and resolve them during this phase. In addition, this phase will extend beyond the "go-live" date to support operations as the new system is deployed.

V. Earned Value

a. Cost Performance Index

Cost Performance Index (CPI) measures the financial effectiveness and efficiency of a project. It represents the amount of completed work for every unit of cost spent since project inception. This ratio is calculated by dividing the budgeted cost of work completed by the actual cost of work performed.

The Earned Value calculations are as follows:

Planned Value (PV) is the budgeted cost for the work scheduled to be done.

Actual Costs (AC) is the money spent for the work accomplished.

Earned Value (EV) is the percent of the total budget completed at a point in time. EV = % complete x budget

Cost Performance Index CPI = EV/AC

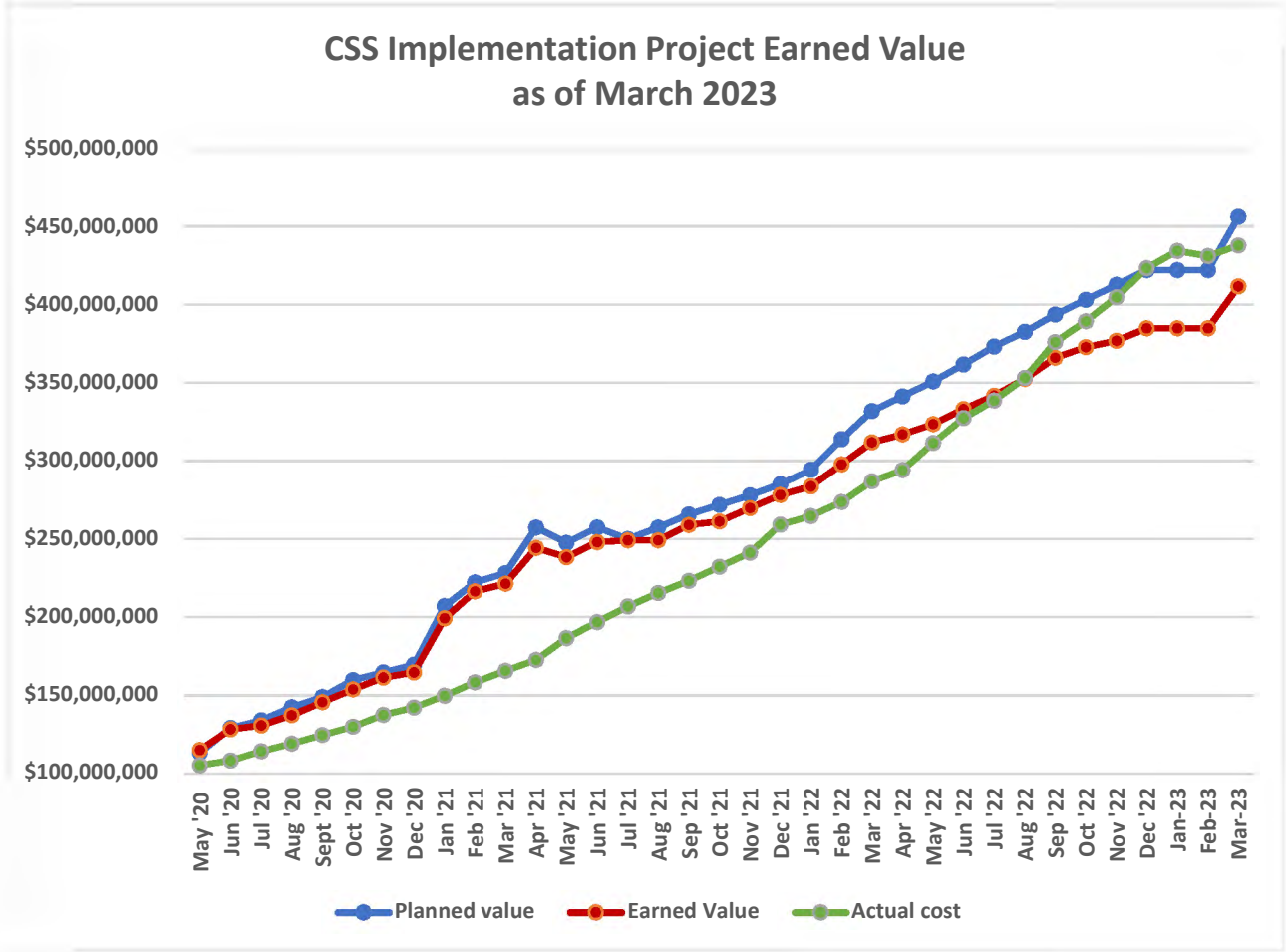
Schedule Performance Index SPI = EV/PV

For the first quarter of 2023, the CSS Implementation Project has an average CPI of .91, and as of March 31, 2023, the project has a CPI of .94. The average CPI for the quarter shows that while the project is currently overspending, it remains close to the earned value for the quarter.

b. Schedule Performance Index

Schedule Performance Index (SPI) measures how close the project is to being completed compared to the schedule. The ratio is calculated by dividing the budgeted cost of work performed by the planned value.

For the Earned Value (EV) look-back period ending March 31, 2023, the Company is working through the remaining SIT testing, continues to make progress in UAT, and initiated its second Parallel Billing cycle. Despite the CPI showing overspending against earned value, the steady SPI shows consistent progress against the plan. As of March 31, 2023, the SPI for the project is .90. The average SPI for the first quarter of 2023 remained at .91 from the previous quarter's average.



VI. Organizational Change Management ("OCM")

OCM Strategy Document and Update

The Organizational Change Management (OCM) team continues to progress its stakeholder communications and engagement plan, business readiness, and training activities through execution of the CORE project's change management strategy deliverables. As the CORE project moves toward the adjusted go-live date of September 2023, the OCM team is focused on driving and achieving internal stakeholder readiness.

Communications and engagement efforts include various activities, such as monthly "Did You Know?" email announcements that provide business stakeholders with a one-page, "at a glance" message on a CORE topic of interest. These reinforce essential CORE topics such as where to find

CORE resources and how to access the future state CSS application. Outreach and engagement efforts included the fourth CORE Stakeholder Pulse Survey – these surveys are conducted biannually to collect and analyze changing perspectives of the business stakeholders and gauge overall sentiment toward the project. This data enables the CORE OCM team to identify and target its change management activities in ways that will reach groups that may require additional support. The OCM team is currently planning to conduct a final pulse survey before the September go-live date.

Monthly Business Readiness Validation cycles with each business organization's Business Implementation Lead (BIL) continue to take place. The OCM Business Readiness team meets with each BIL to review the status of their scorecards and discuss progress that has been made toward readiness, along with any issues that need to be mitigated. By utilizing the business readiness criteria developed with each BIL, the OCM team has identified key areas of readiness to prioritize and has worked with the broader implementation team to address any potential gaps in knowledge and readiness related to the program. This effort will be maintained through the adjusted go-live date and will provide business readiness metrics as input to broader CORE go-live readiness discussions and preparations.

End-user new CSS training continues to be a major activity of the OCM work stream. Over 80% of end-users have commenced their training program. The majority of these students are the high-impact end-users of the system such as customer service representatives, back office and customer accounting function team members, and credit and field operations personnel. These end-users require the most training hours and are continuing the curriculum started in October 2022. The remaining students to begin their training during the next quarter include CSR provisional staff, ongoing new hires, and smaller groups that require read-only access. Their training will align as closely to the new go-live date as possible to support optimized content retention among these end-users. With the extended timeline due to the September go-live, high-impact end-users currently in training will also receive proficiency and practice labs, simulations, and additional proficiency enhancement sessions to maintain their skills in the new CSS through go-live.

CSS Implementation

Status Report

July 17, 2023

I. Introduction

Consolidated Edison Company of New York, Inc. ("Con Edison" or the "Company") submits its July 14, 2023 update on Con Edison's Customer Service System ("CSS") implementation project.[1]

II. CSS Project Update

To allow for additional time to incorporate key lessons learned from the Company's dress rehearsals and Operational Readiness Testing (ORT) and to allow time to further progress with ongoing testing, the Company has moved the planned go-live date from September 4, 2023 to October 9, 2023.

From June 16 through June 19, 2023, more than 500 people participated in the Company's first of three planned go-live dress rehearsals. Over the course of the dress rehearsal, 3,751 planned cut-over tasks were completed. To complete all the required cut-over activities within the cut-over window, the tasks were executed continuously over a 72-hour period. Over the course of the 72 hours, more than 6.5 million customer accounts and data from 32 legacy systems were converted to CC&B. The data was then validated for completeness and accuracy by subject matter experts. All internal legacy systems owners reviewed and approved the documented cut-over processes and the expected schedule to disconnect from the legacy system, connect to CC&B, and perform the connection verification tests.

Immediately following the completion of the dress rehearsal, the Company started executing ORT. Over five business days, the Company executed high-volume batch billing processes and future end uses execute standard day over day transactions to simulate production conditions. The intent of ORT is to validate that the system works as expected in a production manner after the cut-over processes have been completed. Some examples of the transactions that were executed in ORT include:

- Issuing Emergency Outage Tickets

[1] Cases 19-E-0065/19-G-0066, Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plan ("Rate Order"), January 16, 2020.

- Adjusting Late Payment Charges
- Enrolling a customer in a payment agreement
- Enrolling a customer in budget billing
- Canceling a customer bill and issuing a new bill for that account
- Processing customer requests to start service, stop service, and transfer service
- Adding a Life Support Equipment notification to an account

In addition to the completion of the first dress rehearsal and ORT, the Company also finished its planned System Integration Testing (SIT) cycles three and four. Between the two testing cycles, the Company executed 5,365 test cases with a 98% pass rate. In total, 9,629 test cases have been executed across all SIT cycles, with a 98% pass rate.

III. Project Cost Performance

a. Project Cost Variance (budget v. actual)[2]

The Company's current revenue requirements do not reflect carrying costs associated with CSS. For 2023 ("Proposed Rate Year 1"), the Company's proposed rate plan forecasted CSS capital expenditures of $59.8 million. Through the first two quarters of 2023, the Company spent 76% of the forecasted capital costs for Proposed Rate Year 1, or $45.4 million. The Company's proposed electric and gas rate plans include a downward-only O&M reconciliation for the remainder of the CSS project. Any deferral amount at the end of CSS implementation will be credited to customers.[3] For Proposed Rate Year 1, the Company forecasted CSS O&M expenditures of $27.7 million. The Company spent 46% of the forecasted O&M total in the first two quarters of Proposed Rate Year 1.

The following chart details the first quarter 2023 budget results:

[2] This report is being filed pursuant to the Con Edison Rate Order and, as such, discusses only the Con Edison portion of the project costs. For informational purposes, cost tables include the full project costs, including O&R's allocation of such costs.

[3] Cases 19-E-0065/19-G-0066, Joint Proposal, October 16, 2019, at Section E.16.

Thousands ('000)	Q2 2023			Project To Date Cost		
CECONY	**Actuals**	**Budget**	**Variance**	**Actuals**	**Budget**	**Balance**
Capital	$ 38,711	$ 23,578	$ 15,133	$ 423,637	$ 421,000	$ (2,637)
O&M	$ 6,339	$ 6,591	$ (252)	$ 28,131	$ 36,000	$ 7,869
Total CECONY	$ 45,050	$ 30,169	$ 14,881	$ 451,768	$ 457,000	$ 5,232
O&R						
Capital	$ 2,216	$ 1,359	$ 857	$ 32,272	$ 34,000	$ 1,728
O&M	$ 608	$ 437	$ 171	$ 2,069	$ 3,000	$ 931
Total O&R	$ 2,824	$ 1,796	$ 1,028	$ 34,341	$ 37,000	$ 2,659
Total CECONY & O&R	**$ 47,873**	**$ 31,965**	**$ 15,909**	**$ 486,109**	**$ 494,000**	**$ 7,891**

As shown in the chart above, for the second quarter of 2023, Con Edison had a capital overrun of $15.1 million and an O&M underrun of $252,000 compared to the budget for this period. The capital variance was driven by catching up with the first-quarter delays in Solution Integrator milestone payments. The O&M variance was driven by the timing of hiring provisional call center support staff needed for go-live and training costs.

b. Change Control Metrics

In the initial statement of work, the Company and the System Integrator agreed to a change control process to allow for modifications of milestone deliverables or the addition of new scope. Under this process, the Company and the System Integrator must agree to any additional scope or changes to the milestone deliverables that were included in the initial statement of work.

In total, the project has approved 54 change requests. In the second quarter of 2023, there were nine approved change request that had a total cost of $1.8 million. Eight of the change requests in the second quarter were related to extending supplemental contractor resources to support ongoing project activities. One change request was to approve the costs for work that was deemed to be additional scope.

IV. Project Schedule Performance

a. Schedule Adherence

The CSS Implementation project is progressing through project phases in line with its new anticipated go-live date of October 9, 2023. The successful completion of key testing activities and the progression through project dependencies are key to achieving a successful implementation with the updated project schedule. The table below shows the progress through the project phases and overall project completion:

		% Complete	
Phase	**Dates**	**March 31, 2023**	**June 30, 2023**
Planning	1/2/20 – 3/31/20	100%	100%
Analyze & Design	4/1/20 – 2/26/21	100%	100%
Build & User Testing[4]	1/4/21 – 3/31/22	99%	99%
Testing	1/3/22 – 2/28/23	78%	97%
Go-Live Prep	1/2/23 – 5/29/23	20%	45%
Overall Project Progress		77%	83%

b. Project Milestones

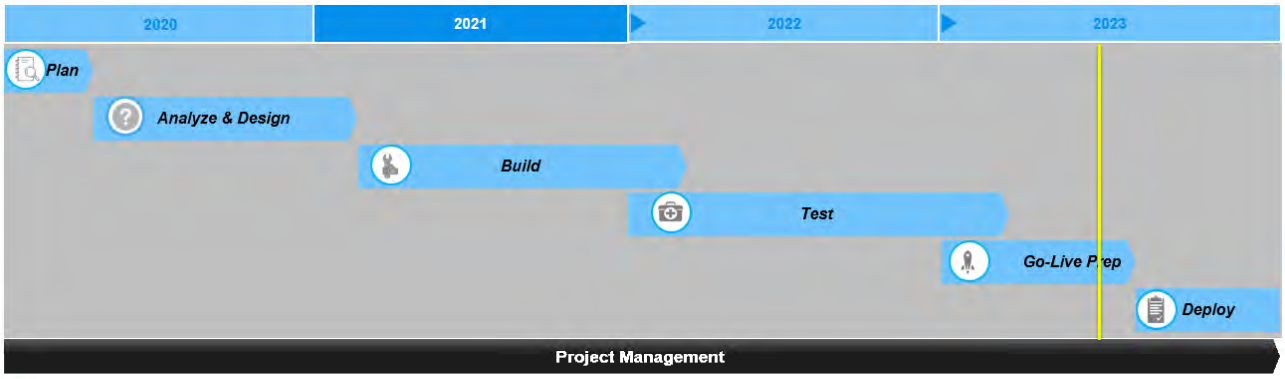
Eighteen of the 19 first-quarter milestones have been completed and one milestone from the fourth quarter of 2022 is still outstanding. Ten of the 16 second-quarter milestones have been completed. The 2022 milestone and the remaining first- and second-quarter milestones for 2023 will be completed prior to the planned go-live date in October.

[4] The Build & User Testing phase remains open to accommodate project change request that are mandatory and must be incorporated into the new CSS.

2022 – 2023 Milestones			
Milestone #	Milestone Description	Status	Milestone Due Date
37	To-Do Playbook Delivered and User Acceptance Testing Completion - Cycle 2	In Progress	12/31/2022
92	CR-41 infra services delivered for Nov and Dec 2022	Complete	1/1/2023
53	Completion - SIT3 Testing, Build for R5 Integration, Reporting and Data Conversion Items	Complete	1/15/2023
38	User Acceptance Testing Completion - Cycle 3 and Phase Completion, Performance Testing Completion, Parallel Bill Testing Completion	In Progress	1/31/2023
70	UAT Resources Payment #7	Complete	1/31/2023
78	Data Conversion Resource Payment #4	Complete	1/31/2023
84	UAT Support Resources Payment	Complete	1/31/2023
89	UAT/VRM Support Resources Payment	Complete	1/31/2023
93	CR-41 infra services delivered for Jan 2023	Complete	2/1/2023
39	Proficiency Optimization Materials Delivered	Complete	2/28/2023
71	UAT Resources Payment #8	Complete	2/28/2023
79	Data Conversion Resource Payment #5	Complete	2/28/2023
85	UAT Support Resources Payment	Complete	2/28/2023
94	CR-41 infra services delivered for Feb 2023	Complete	3/1/2023
99	CR-43 Phase 1 design & build completion	Complete	3/1/2023
54	SIT4 Testing Completion	Complete	3/15/2023
73	Retail Choice Resources Payment #2	Complete	3/31/2023
80	Data Conversion Resource Payment #6	Complete	3/31/2023
86	UAT Support Resources Payment	Complete	3/31/2023
90	UAT/VRM Support Resources Payment	Complete	3/31/2023
95	CR-41 infra services delivered for Mar 2023	In Progress	4/1/2023
81	Data Conversion Resource Payment #7	Complete	4/30/2023
87	UAT Support Resources Payment	Complete	4/30/2023
96	CR-41 infra services delivered for Apr 2023	Complete	5/1/2023
102	CR-43 Phase 2 design & build completion	In Progress	5/1/2023
40	Dress Rehearsals Completion	In Progress	5/15/2023
55	Completion - OCM Training for additional work, Reporting Testing	In Progress	5/15/2023
41	Operational Readiness Test Completion, Business Readiness Validation Reports Delivered, Go-Live	In Progress	5/31/2023
82	Data Conversion Resource Payment #8	Complete	5/31/2023
88	UAT Support Resources Payment	Complete	5/31/2023
97	CR-41 infra services delivered for May 2023	Complete	6/1/2023
100	CR-43 Phase 1 SIT & deployment completion	In Progress	6/1/2023
74	Retail Choice Resources Payment #3	Complete	6/30/2023
83	Data Conversion Resource Payment #9	Complete	6/30/2023
91	UAT/VRM Support Resources Payment	Complete	6/30/2023
98	CR-41 infra services delivered for Jun 2023	Complete	6/30/2023

42	Stabilization/Post Implementation Support Completion - 1	In Progress	7/21/2023
101	CR-43 Phase 1 warranty completion	In Progress	8/31/2023
43	Final Acceptance	In Progress	9/1/2023
103	CR-43 Phase 2 SIT & deployment completion	In Progress	9/1/2023
44	Stabilization/Post Implementation Support Completion - 2	In Progress	10/16/2023
45	Stabilization/Post Implementation Support Completion - 3	In Progress	11/30/2023
104	CR-43 Phase 2 warranty completion	In Progress	11/30/2023

Project Timeline



- **Plan:** Define project plans for major workstreams and conduct final preparations for Analyze & Design phase.
- **Analyze & Design:** Break down the detailed business process flows into more granular individual activity and steps to determine how the process changes should be designed to support the defined To-Be business processes.
- **Build:** Refine the system requirement, configuration, integration, extension, and data conversion designs until they are concrete and detailed enough to be built.
- **Test:** Test every aspect of the solution to ensure that the end-to-end product works as expected. Training also begins during this phase so that future system users are given the foundational knowledge required to smoothly transition to the new system at Go-Live.
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- **Deploy:** Conduct all Go-Live activities and manage any system issues or defects that may arise once the system is live will so as to address and resolve them during this phase. In addition, this phase will extend beyond the "go-live" date to support operations as the new system is deployed.

V. Earned Value

a. Cost Performance Index

Cost Performance Index (CPI) measures the financial effectiveness and efficiency of a project. It represents the amount of completed work for every unit of cost spent since project inception. This ratio is calculated by dividing the budgeted cost of work completed by the actual cost of work performed.

The Earned Value calculations are as follows:

Planned Value (PV) is the budgeted cost for the work scheduled to be done.

Actual Costs (AC) is the money spent for the work accomplished.

Earned Value (EV) is the percent of the total budget completed at a point in time. EV = % complete x budget

Cost Performance Index CPI = EV/AC

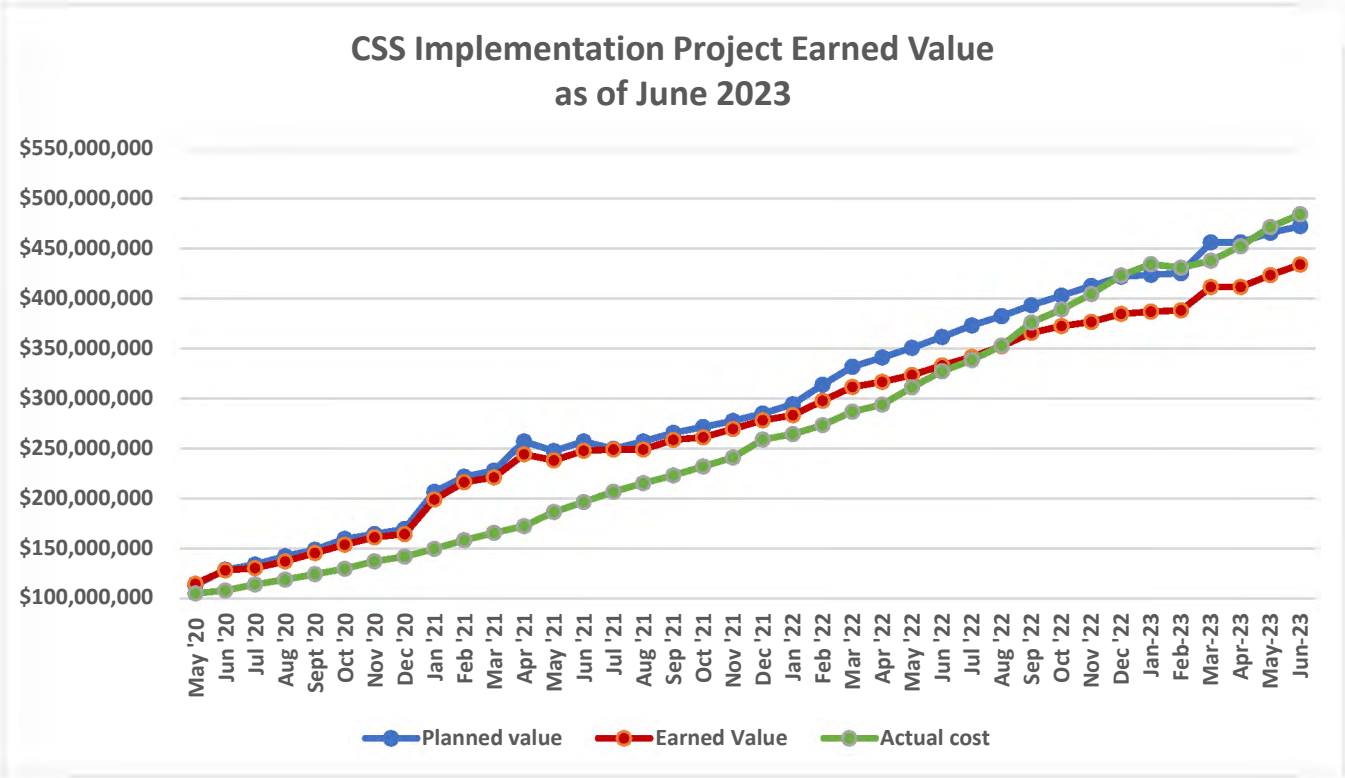
Schedule Performance Index SPI = EV/PV

For the second quarter of 2023, the CSS Implementation Project has an average CPI of .90, and as of June 30, 2023, the project has a CPI of .90. The average CPI for the quarter shows that while the project is currently overspending, the CPI rate remains flat for the quarter.

b. Schedule Performance Index

Schedule Performance Index (SPI) measures how close the project is to being completed compared to the schedule. The ratio is calculated by dividing the budgeted cost of work performed by the planned value.

For the Earned Value (EV) look-back period ending June 30, 2023, the Company is working through the remaining testing, continues to make progress in resolving outstanding defects and is preparing for the second dress rehearsal and ORT. Despite the CPI showing overspending against earned value, the steady SPI shows consistent progress against the plan. As of June 30, 2023, the SPI for the project is .92. The average SPI for the second quarter of 2023 remained at .91 from the previous quarter's average.



VI. Organizational Change Management ("OCM")

OCM Strategy Document and Update

The Organizational Change Management (OCM) team continues to progress its stakeholder communications and engagement plan, business readiness, and training activities through execution of the CORE project's change management strategy deliverables. As the CORE project continues on the path toward the adjusted go-live date, the OCM team is focused on driving and achieving internal stakeholder readiness, as well as preparing to support end user needs after go-live.

Communications and engagement efforts include various activities, such as monthly "Did You Know?" email announcements that provide business stakeholders with a one-page, "at a glance" message on a CORE topic of interest. These reinforce essential CORE topics such as where to find CORE resources and how to access the future state CSS application. New efforts include "How to Prepare for Go-Live" roadshows, which are being developed to help end users across the Company

understand what they will experience at go-live and what support will be available for them after go-live.

Monthly Business Readiness Validation cycles with each business organization's Business Implementation Lead (BIL) have continued and, beginning in July, will occur every other week to support the OCM team's ability to closely monitor readiness across impacted organizations. With more frequent Business Readiness sessions, the OCM team will be able to collaborate with the broader CORE team to define and implement mitigations required to address any challenges that may arise for the business areas. The OCM team will continue to monitor Business Readiness Scorecards, now to be completed by the BILs every other week, to track key areas of readiness to prioritize as the Company approaches go-live. Business Readiness metrics will also continue to be provided as input to broader CORE go-live readiness discussions and preparations.

End-user new CSS training continues to be a major activity of the OCM work stream. Over 90% of end-users have commenced their training program. The majority of these students continue to be high-impact end-users of the system, such as customer service representatives, back office and customer accounting function team members, and credit and field operations personnel. These end-users require the most training hours and are continuing the curriculum started in October 2022. Currently, they majority of these students are receiving additional hands-on, proficiency-focused practice in the CC&B training environment; this practice is led by instructors who support students as they work through the training. The remaining students to begin their training during the final two months prior to go-live include CSR provisional staff, ongoing new hires, and smaller groups that require read-only access. The training for these remaining groups will align as closely to the new go-live date as possible to support optimized content retention among these end-users.

Finally, the OCM team has also commenced delivery of workshops for select high-impact end users that will be required to process account exceptions in CC&B known as "To Dos." Given the requirements of these sessions to be discussion-based and promote as much hands-on practice as possible, these sessions are being delivered primarily in-person, with the Workshop Facilitators traveling to locations in Brooklyn, Long Island City, and Staten Island, in addition to New York City,

to accommodate the work locations of the high-impact end users who are receiving To Do Workshops.

CSS Implementation

Status Report

October 16, 2023

I. Introduction

Consolidated Edison Company of New York, Inc. ("Con Edison" or the "Company") submits its October 16, 2023, update on Con Edison's Customer Service System ("CSS") implementation project.[1]

II. CSS Project Update

The Customer Care and Billing ("CC&B") system went live and was released to the business on October 10, 2023. Over the course of the cut-over window from October 6 through October 9, approximately 5.8 billion data elements from Con Edison's and Orange and Rockland Utilities, Inc.'s ("O&R") legacy billing systems were converted to CC&B. The appropriate business areas reviewed the data conversion results to validate that the data was loaded into CC&B correctly. Over 120 internal and external peripheral IT systems connected to the CC&B production environment and validated their ability to interact with the new system before it went live. Subject matter experts representing business areas across both Con Edison and O&R performed a series of validation steps to confirm that CC&B's move to production was successful and that the system was ready to be used on October 10. The legacy billing systems for Con Edison and O&R have been put into a read-only mode and can still be accessed for reference purposes.

Now that the system is in production, the project team has entered the stabilization phase of the project. The Company has adopted an incident command structure (ICS) approach while in stabilization so that issues can be quickly identified, escalated, and prioritized for resolution. The ICS model is a proven approach that allows organizations to respond to complex problems by creating a defined chain of command, establishing a division of labor, and prioritizing the management of objectives. The ICS model was utilized during the project's Operational Readiness Testing (ORT) phase to verify that the appropriate stabilization support would be in place after

[1] Cases 22-E-0064/22-G-0065, Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plans with Additional Requirements ("Rate Order"), July 20, 2023.

the system went live. The team has restructured itself to focus on providing business and IT support to all CC&B users.

Areas of focus during stabilization include:

- Continuously monitoring system performance to ensure the necessary transaction response times are being met.
- Monitoring scheduled batch jobs so that they run as scheduled and the necessary processes for billing are completed within the required time frames.
- Providing front-line support to CC&B users to assist with any issues they encounter and quickly answer questions as they work to gain proficiency in the new system.
- Putting into place issue resolution teams to provide direct support to key business areas such as retail choice, billing and payments, customer assistance and credit and field operations.

III. Project Cost Performance

a. Project Cost Variance (budget v. actual)[2]

The Company's current revenue requirements do not reflect carrying costs associated with CSS. For 2023 ("Rate Year 1"), the Company's rate plan forecasted CSS capital expenditures of $59.8 million. Through the first three quarters of 2023, the Company spent 125% of the forecasted capital costs for Rate Year 1, or $75 million. The Company's electric and gas rate plans include a downward-only O&M reconciliation for the remainder of the CSS project. Any deferral amount at the end of CSS implementation will be credited to customers.[3] For Rate Year 1, the Company forecasted O&M expenditures of $27.7 million. The Company spent 70% of the forecasted O&M total in the first three quarters of Rate Year 1.

[2] This report is being filed pursuant to the Con Edison Rate Order and, as such, discusses only the Con Edison portion of the project costs. For informational purposes, cost tables include the full project costs, including O&R's allocation of such costs.

[3] Cases 22-E-0064/22-G-0065, Joint Proposal, February 16, 2023, at Section E.12.

The following chart details the third quarter budget results for 2023:

Thousands ('000)	Q3 2023			Project To Date Cost		
CECONY	**Actuals**	**Budget**	**Variance**	**Actuals**	**Budget**	**Balance**
Capital	$ 29,213	$ 16,607	$ 12,606	$ 452,850	$ 421,000	$ (31,850)
O&M	$ 6,632	$ 6,676	$ (44)	$ 34,763	$ 36,000	$ 1,237
Total CECONY	$ 35,846	$ 23,284	$ 12,562	$ 487,613	$ 457,000	$ (30,613)
O&R						
Capital	$ 1,905	$ 1,120	$ 785	$ 34,177	$ 34,000	$ (177)
O&M	$ 441	$ 438	$ 4	$ 2,511	$ 3,000	$ 489
Total O&R	$ 2,346	$ 1,557	$ 789	$ 36,688	$ 37,000	$ 312
Total CECONY & O&R	**$ 38,192**	**$ 24,841**	**$ 13,351**	**$ 524,301**	**$ 494,000**	**$ (30,301)**

As shown in the chart above, for the third quarter of 2023, Con Edison had a capital overrun of $12.6 million and an O&M underrun of $44,000 compared to the budgets for this period. The capital variance was driven by the payment of milestones that were delayed due to the change to the go-live date. The O&M variance was driven by the timing of hiring provisional call center support staff needed for go-live and training costs.

b. Change Control Metrics

The Company and the System Integrator have an established change control process to allow for modifications of milestone deliverables or the addition of new scope. Under this process, the Company and the System Integrator must agree to any additional scope or changes to the milestone deliverables that were included in the initial statement of work. In total, the project has approved 60 change requests. In the third quarter of 2023, there were five approved change requests with a total cost of $11 million. Three of these change requests were related to extending supplemental contractor resources to support ongoing project activities. The other two change requests were to approve the costs for work that was deemed to be additional scope and to align milestones with the October go-live date.

IV. Project Schedule Performance

a. Schedule Adherence

The CSS Implementation project made significant progress in the project phases needed to achieve a successful October 9, 2023, go-live date. The table below shows the progress through the project phases and overall project completion:

		% Complete	
Phase	**Dates**	**June 30, 2023**	**September 30, 2023**
Planning	1/2/20 – 3/31/20	100%	100%
Analyze & Design	4/1/20 – 2/26/21	100%	100%
Build & User Testing	1/4/21 – 3/31/22	99%	100%
Testing	1/3/22 – 2/28/23	97%	100%
Go-Live Prep[4]	1/2/23 – 10/8/23	45%	98%
Deploy	10/9/23 – 4/12/24	0%	8%
Overall Project Progress		83%	90%

b. Project Milestones

The milestones necessary to achieve a successful go-live on October 9, 2023, have been completed. Additional milestones have been added to align existing deliverables with the October go-live and for new deliverables identified through the project change request process. The 14 milestones that are past their due date are for deliverables that were not critical for the CC&B system to go live and for which alternate solutions were available.

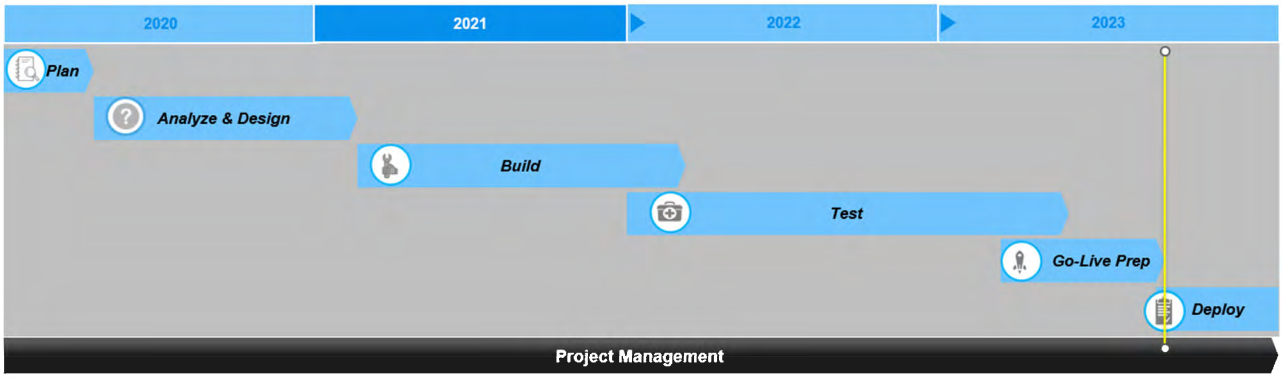
[4] Go-Live Prep dates were updated to align with the revised October 9, 2023, go-live date.

2022 – 2023 Milestones			
Milestone #	Milestone Description	Status	Milestone Due Date
37	To-Do Playbook Delivered and User Acceptance Testing Completion - Cycle 2	Complete	12/31/2022
92	CR-41 infra services delivered for Nov and Dec 2022	Complete	1/1/2023
53	Completion - SIT3 Testing, Build for R5 Integration, Reporting and Data Conversion Items	Complete	1/15/2023
54	User Acceptance Testing Completion - Cycle 3 and Phase Completion, Performance Testing Completion, Parallel Bill Testing Completion	Complete	1/31/2023
70	UAT Resources Payment #7	Complete	1/31/2023
78	Data Conversion Resource Payment #4	Complete	1/31/2023
84	UAT Support Resources Payment	Complete	1/31/2023
89	UAT/VRM Support Resources Payment	Complete	1/31/2023
93	CR-41 infra services delivered for Jan 2023	Complete	2/1/2023
94	Proficiency Optimization Materials Delivered	Complete	2/28/2023
71	UAT Resources Payment #8	Complete	2/28/2023
79	Data Conversion Resource Payment #5	Complete	2/28/2023
85	UAT Support Resources Payment	Complete	2/28/2023
94	CR-41 infra services delivered for Feb 2023	Complete	3/1/2023
99	CR-43 Phase 1 design & build completion	Complete	3/1/2023
54	SIT4 Testing Completion	Complete	3/15/2023
73	Retail Choice Resources Payment #2	Complete	3/31/2023
80	Data Conversion Resource Payment #6	Complete	3/31/2023
86	UAT Support Resources Payment	Complete	3/31/2023
90	UAT/VRM Support Resources Payment	Complete	3/31/2023
95	CR-41 infra services delivered for Mar 2023	Complete	4/1/2023
81	Data Conversion Resource Payment #7	Complete	4/30/2023
87	UAT Support Resources Payment	Complete	4/30/2023
96	CR-41 infra services delivered for Apr 2023	Complete	5/1/2023
102	CR-43 Phase 2 design & build completion	In Progress	5/1/2023
55	Completion - OCM Training for additional work, Reporting Testing	Complete	5/15/2023
82	Data Conversion Resource Payment #8	Complete	5/31/2023
88	UAT Support Resources Payment	Complete	5/31/2023
107	Extend UAT Resource from March 2023 to May 2023	Complete	5/31/2023
97	CR-41 infra services delivered for May 2023	Complete	6/1/2023
100	CR-43 Phase 1 SIT & deployment completion	Complete	6/1/2023
74	Retail Choice Resources Payment #3	Complete	6/30/2023
83	Data Conversion Resource Payment #9	Complete	6/30/2023
91	UAT/VRM Support Resources Payment	Complete	6/30/2023
98	CR-41 infra services delivered for Jun 2023	Complete	6/30/2023
121	Extending UAT Staff Augmentation resource	Complete	6/30/2023
126	Extending UAT Staff Augmentation resource	Complete	6/30/2023

113	Project Change Request 418728	In Progress	7/17/2023
114	Project Change Request 404760	In Progress	7/17/2023
115	Project Change Request 404765	Complete	7/17/2023
133	Project Change Request 382565	In Progress	7/17/2023
122	Extending Infra Staff Augmentation resources July 2023	Complete	7/31/2023
135	Extending UAT Staff Augmentation resources	Complete	7/31/2023
116	Project Change Request 360805	In Progress	8/4/2023
117	Project Change Request 435865	Complete	8/4/2023
127	Project Change Request 391563	In Progress	8/4/2023
131	Project Change Request 387661	In Progress	8/4/2023
134	Project Change Request 391554	In Progress	8/4/2023
118	Project Change Request 411166	In Progress	8/25/2023
128	Project Change Request 418145	In Progress	8/25/2023
129	Project Change Request 360884	In Progress	8/25/2023
130	Project Change Request 376117	In Progress	8/25/2023
132	Project Change Request 388144	In Progress	8/25/2023
101	CR-43 Phase 1 warranty completion	Complete	8/31/2023
119	Extending Retail Choice Staff Augmentation resources	Complete	8/31/2023
123	Extending Infra Staff Augmentation resources August 20023	Complete	8/31/2023
103	CR-43 Phase 2 SIT & deployment completion	In Progress	9/1/2023
124	Extending Infra Staff Augmentation resources September 20023	Complete	9/15/2023
144	CR-57 Payment #1	Complete	9/15/2023
145	Dress Rehearsals Completion	Complete	9/30/2023
120	Extending Data Conversion Staff Augmentation resources	Complete	9/30/2023
149	Addition of Retail Choice staff augmentation resources - Payment 1	Complete	9/30/2023
157	Additional SIT scope/effort assigned to SI	Complete	9/30/2023
137	CR-56 services delivered for Sep 2023	Complete	10/1/2023
138	Operational Readiness Test Completion, Business Readiness Validation Reports Delivered, Go-Live	Complete	10/15/2023
145	CR-57 Payment #2	Complete	10/15/2023
125	Extending the VRM Lead	Complete	10/31/2023
150	Addition of Retail Choice staff augmentation resources - Payment 2	Complete	10/31/2023
151	Extending Infra Staff Augmentation resources Sep/Oct 2023	Complete	10/31/2023
138	CR-56 services delivered for Oct 2023	In Progress	11/1/2023
146	CR-57 Payment #3	In Progress	11/15/2023
104	CR-43 Phase 2 warranty completion	In Progress	11/30/2023
152	Extending Infra Staff Augmentation resources Nov 2023	In Progress	11/30/2023
162	Deployment Staff Augmentation	In Progress	11/30/2023
139	CR-56 services delivered for Nov 2023	In Progress	12/1/2023
140	Stabilization/Post Implementation Support Completion - 1	In Progress	12/31/2023
136	Project Change Request 438483	In Progress	12/31/2023

147	Project Change Request 475742	In Progress	12/31/2023
148	Project Change Request 464565	In Progress	12/31/2023
153	Extending Infra Staff Augmentation resources Dec 2023	In Progress	12/31/2023
158	Project Change Request 453423	In Progress	12/31/2023
159	Addition of Retail Choice staff augmentation resources - Payment 1	In Progress	12/31/2023
160	Project Change Request 438358	In Progress	12/31/2023
161	Project Change Request 427424	In Progress	12/31/2023
140	CR-56 services delivered for Dec 2023	In Progress	1/1/2024
154	Extending Infra Staff Augmentation resources Jan 2024	In Progress	1/31/2024
141	CR-56 services delivered for Jan 2024	In Progress	2/1/2024
142	Final Acceptance	In Progress	2/15/2024
155	Extending Infra Staff Augmentation resources Feb 2024	In Progress	2/28/2024
142	CR-56 services delivered for Feb 2024	In Progress	3/1/2024
143	Stabilization/Post Implementation Support Completion - 2	In Progress	3/15/2024
143	CR-56 services delivered for Mar 2024	In Progress	4/1/2024
144	Stabilization/Post Implementation Support Completion - 3	In Progress	4/11/2024
156	Extending Infra Staff Augmentation resources Mar/Apr 2024	In Progress	4/15/2024

Project Timeline



- **Plan:** Define project plans for major workstreams and conduct final preparations for Analyze & Design phase.
- **Analyze & Design:** Break down the detailed business process flows into more granular individual activity and steps to determine how the process changes should be designed to support the defined To-Be business processes.
- **Build:** Refine the system requirement, configuration, integration, extension, and data conversion designs until they are concrete and detailed enough to be built.
- **Test:** Test every aspect of the solution to ensure that the end-to-end product works as expected. Training also begins during this phase so that future system users are given the foundational knowledge required to smoothly transition to the new system at Go-Live.
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Cost Performance Index CPI = EV/AC

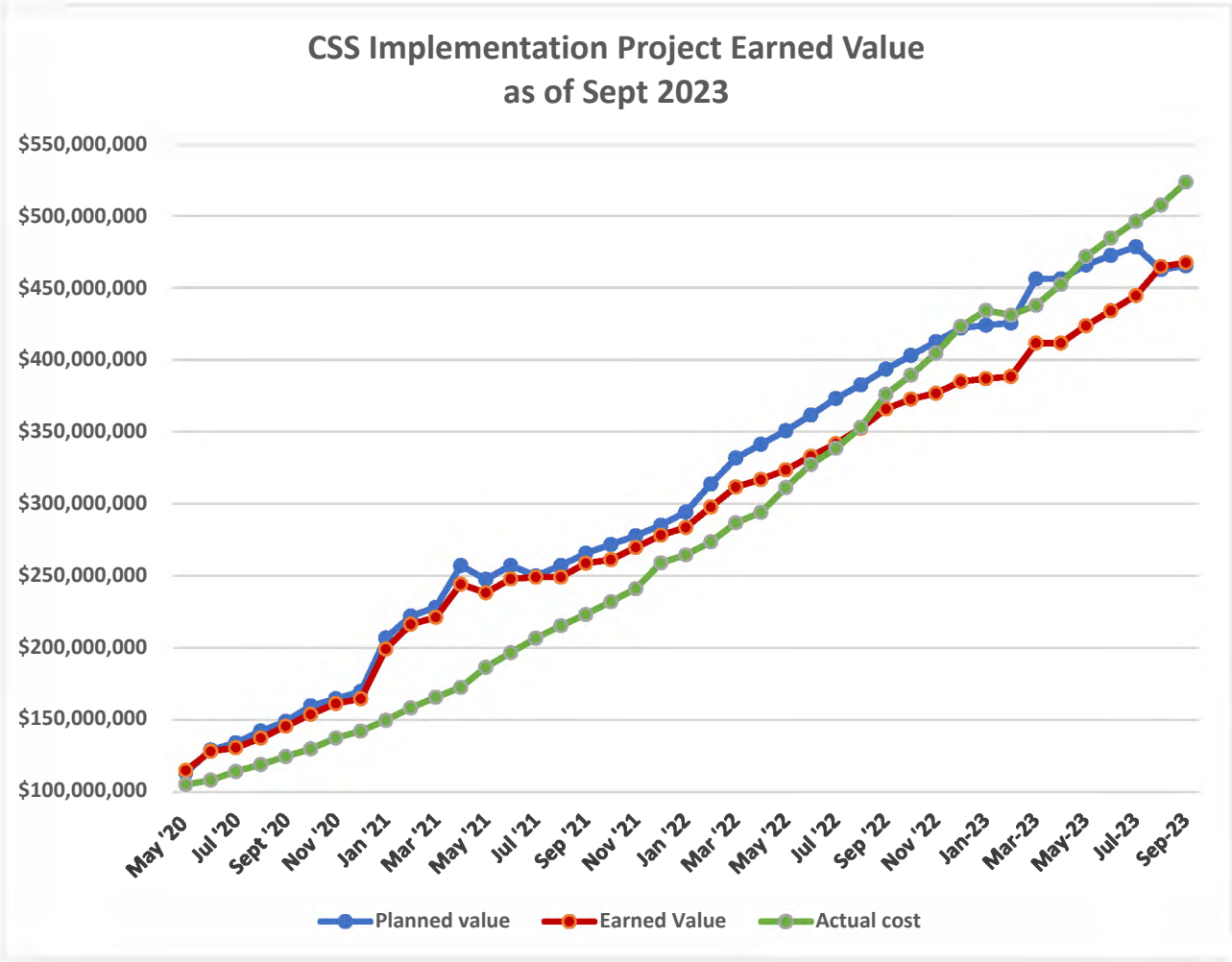
Schedule Performance Index SPI = EV/PV

For the third quarter of 2023, the CSS Implementation Project has an average CPI of .90, and as of September 30, 2023, the project has a CPI of .89. The average CPI for the quarter shows that while the project is currently overspending, the CPI rate remains flat for the quarter.

b. Schedule Performance Index

Schedule Performance Index (SPI) measures how close the project is to being completed compared to the schedule. The ratio is calculated by dividing the budgeted cost of work performed by the planned value.

For the Earned Value (EV) look-back period ending September 30, 2023, the Company completed the outstanding tasks necessary to have a successful go-live. Despite the CPI showing overspending against earned value, the SPI shows consistent progress against the plan. As of September 30, 2023, the SPI for the project is 1. The average SPI for the third quarter of 2023 is .98, up from the previous quarter's average of .91.



VI. Organizational Change Management ("OCM")

OCM Strategy Document and Update

The Organizational Change Management (OCM) team concluded the delivery of its pre-go-live stakeholder communications and engagement plan, business readiness, and end-user training activities through execution of the CORE project's change management strategy deliverables. As the CORE project arrived at its go-live date, the OCM team maintained its focused on driving and achieving internal stakeholder readiness, as well as defining detailed plans to support end-user needs after go-live.

Communications and engagement efforts included ongoing activities such as monthly "Did You Know?" email announcements that provide business stakeholders with a one-page "at a glance" message on a CORE topic of interest. In the weeks leading up to go-live, these communications reinforced essential topics such as where to find CORE project and Oracle CC&B resources and how to access the future state CC&B application. The team also executed new efforts, including "How to Prepare for Go-Live" roadshows, which helped end users across all impacted areas of the Company understand what they could expect to experience at go-live and what support would be available for them after go-live.

In terms of specific post-go-live support mechanisms, the OCM team worked with all impacted areas of the business to identify key individuals, known as "CORE Champions," who would serve as the "first line of defense" for end users to help them address and, as appropriate, escalate issues to key functional and technical resources for resolution. The OCM team worked with other groups within the CORE team, including the Stabilization team, to define the process for issue capture and resolution and to educate CORE Champions on this process. CORE Champions received focused training sessions to help them understand and prepare for their roles as CORE Champions and will be supported in their roles after go-live by the OCM team. The "How to Prepare for Go-Live" roadshows delivered information to end users about the availability of CORE Champions to support them after go-live.

Monthly Business Readiness Validation cycles continued with each business organization's Business Implementation Lead (BIL). Beginning in July 2023, the Business Readiness Validation cycles increased to every other week to support the OCM's team ability to closely monitor readiness across impacted organizations. With more frequent Business Readiness sessions, the OCM team has been able to collaborate with the broader CORE team to define and implement mitigations required to address any challenges that arose for specific business areas. The OCM team monitored each area's Business Readiness Scorecards, which progressed significantly in terms of demonstrating strong Business Readiness metrics. These metrics were provided as input to broader CORE go-live readiness discussions and support final sign-off for go-live.

End-user Oracle CC&B training continued to be a major activity of the OCM workstream. All end users completed their training by October 6. The majority of students continued to be high-impact end users of the system, such as customer service representatives, back office and customer accounting function team members, and credit and field operations personnel. These end users required the most training hours and finished the curriculum they started in October 2022. Most students spent their final weeks of training receiving additional hands-on, proficiency-focused practice in the CC&B training environment; in some cases, end users were also given access to the pre-production environment to practice transactions and optimize their practice time.

The OCM team concluded delivery of To Do system exception workshops for select high-impact end users who will be required to work To Dos in CC&B. Most sessions were held in-person to offer optimized discussion-based and hands-on learning. Workshop Facilitators traveled to the work locations of the high-impact end users who are receiving To Do Workshops to support delivery of their To Do learning.

CSS Implementation

Status Report

January 16, 2024

I. Introduction

Consolidated Edison Company of New York, Inc. ("Con Edison" or the "Company") submits its January 16, 2024, update on Con Edison's Customer Service System ("CSS") implementation project.[1]

II. CSS Project Update

The Customer Care and Billing ("CC&B") system has been live since October 9, 2023, and the project is approximately halfway through the planned stabilization phase. Once the stabilization phase is complete, the project team will transition to a steady state model with a focus on maintaining the CC&B system and supporting operations. The project team has adopted an Incident Command Structure ("ICS") model for stabilization and has tailored the model to better meet project needs like tracking stabilization metrics and responding to business needs. The structure adopted by the project team allows system users to quickly escalate issues and to communicate the status of defects to stakeholders. Since going live, the CC&B system has performed as designed and has produced over 98 percent of expected bills in the fourth quarter of 2023. Bills that are not produced by CC&B generate a work item that is assigned to the appropriate business area depending on the nature of the issues. In the second half of the stabilization phase, the project team will focus on the knowledge transfer process with the Company's solution integrator. The knowledge transfer process is needed so that the future CC&B steady state team will have the foundational knowledge necessary to assume the primary role of maintaining the CC&B system.

The project team continues to focus on the following areas during stabilization:

- Monitoring system performance and batch jobs.

[1] Cases 22-E-0064/22-G-0065, Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plans with Additional Requirements ("Rate Order"), July 20, 2023.

- Monitoring bill completion statistics to identify any billing anomalies that could cause adverse impacts to customers and CC&B users.
- Providing support to CC&B users to assist with any issues they may encounter.

III. Project Cost Performance

a. Project Cost Variance (budget v. actual)[2]

The Company's current revenue requirements do not reflect carrying costs associated with CSS. In 2023 ("Rate Year 1"), the Company spent $118 million, which exceeded the forecasted CSS capital expenditures of $59.8 million for the year. The Company's electric and gas rate plans include a downward-only O&M reconciliation for the remainder of the CSS project. Any deferral amount at the end of CSS implementation will be credited to customers.[3] For Rate Year 1, the Company forecasted CSS O&M expenditures of $27.7 million. The Company spent $29.7 million, exceeding the forecasted O&M for in 2023.

The following chart details the fourth quarter budget results for 2023:

	Q3 2023			Project Costs To Date		
CECONY	**Actuals**	**Budget**	**Variance**	**Actuals**	**Budget**	**Variance**
Capital	$43,199	$484	($42,715)	$496,050	$421,000	($75,050)
O&M	$10,374	$8,033	($2,341)	$45,121	$36,000	($9,121)
Total Con Edison	$53,573	$8,517	($45,056)	$541,171	$457,000	($84,171)
O&R						
Capital	$3,029	$1,120	($1,909)	$37,207	$34,000	($3,207)
O&M	$892	$437	($454)	$3,314	$3,000	($314)
Total O&R	$3,921	$1,557	($2,364)	$40,521	$37,000	($3,521)
Total CECONY & O&R	$57,495	$10,075	($47,420)	$581,692	$494,000	($87,692)

[2] This report is being filed pursuant to the Con Edison Rate Order and, as such, discusses only the Con Edison portion of the project costs. For informational purposes, cost tables include the full project costs, including O&R's allocation of such costs.

[3] Cases 22-E-0064/22-G-0065, Joint Proposal, February 16, 2023, at Section E.12.

As shown in the chart above, for the fourth quarter of 2023, Con Edison had a capital overrun of $42.7 million and an O&M overrun of $2.3 million when compared to the budget for this period. Both the capital and O&M variances were driven by the additional costs incurred as a result of moving the project go-live to October. The delay in the planned go-live date was needed to ensure successful implementation.

b. Change Control Metrics

The Company and the System Integrator have an established change control process to allow for modifications of milestone deliverables or the addition of new scope. Under this process, the Company and the System Integrator must agree to any additional scope or changes to the milestone deliverables that were included in the initial statement of work. In total, the project has approved 63 change requests. In the fourth quarter of 2023, there were three approved change requests with a total cost of $367,000. The three change requests were related to extending resources and the completion of project activities.

IV. Project Schedule Performance

a. Schedule Adherence

The project is halfway through its final phase and is on track to close in April 2024. The table below shows the progress through the project phases and overall project completion:

		% Complete	
Phase	**Dates**	**September 30, 2023**	**December 31, 2023**
Planning	1/2/20 – 3/31/20	100%	100%
Analyze & Design	4/1/20 – 2/26/21	100%	100%
Build & User Testing	1/4/21 – 3/31/22	100%	100%
Testing	1/3/22 – 2/28/23	100%	100%
Go-Live Prep[4]	1/2/23 – 10/8/23	98%	100%

[4] Go-Live Prep dates were updated to align with the October 9 go-live date.

Deploy	10/9/23 – 4/12/24	8%	50%
Overall Project Progress		90%	95%

b. Project Milestones

The milestones necessary to achieve a successful go-live on October 9, 2023, have been completed. Additional milestones have been added to align existing deliverables with the October go-live and for new deliverables identified through the project change request process. The remaining milestones are for the completion of change requests that were not needed for CC&B to go live or for future stabilization efforts.

2022 – 2023 Milestones			
Milestone #	Milestone Description	Status	Milestone Due Date
37	To-Do Playbook Delivered and User Acceptance Testing Completion - Cycle 2	Complete	12/31/2022
92	CR-41 infra services delivered for Nov and Dec 2022	Complete	1/1/2023
53	Completion - SIT3 Testing, Build for R5 Integration, Reporting and Data Conversion Items	Complete	1/15/2023
54	User Acceptance Testing Completion - Cycle 3 and Phase Completion, Performance Testing Completion, Parallel Bill Testing Completion	Complete	1/31/2023
70	UAT Resources Payment #7	Complete	1/31/2023
78	Data Conversion Resource Payment #4	Complete	1/31/2023
84	UAT Support Resources Payment	Complete	1/31/2023
89	UAT/VRM Support Resources Payment	Complete	1/31/2023
93	CR-41 infra services delivered for Jan 2023	Complete	2/1/2023
94	Proficiency Optimization Materials Delivered	Complete	2/28/2023
71	UAT Resources Payment #8	Complete	2/28/2023
79	Data Conversion Resource Payment #5	Complete	2/28/2023
85	UAT Support Resources Payment	Complete	2/28/2023
94	CR-41 infra services delivered for Feb 2023	Complete	3/1/2023
99	CR-43 Phase 1 design & build completion	Complete	3/1/2023
54	SIT4 Testing Completion	Complete	3/15/2023
73	Retail Choice Resources Payment #2	Complete	3/31/2023
80	Data Conversion Resource Payment #6	Complete	3/31/2023
86	UAT Support Resources Payment	Complete	3/31/2023
90	UAT/VRM Support Resources Payment	Complete	3/31/2023
95	CR-41 infra services delivered for Mar 2023	Complete	4/1/2023
81	Data Conversion Resource Payment #7	Complete	4/30/2023
87	UAT Support Resources Payment	Complete	4/30/2023

96	CR-41 infra services delivered for Apr 2023	Complete	5/1/2023
102	CR-43 Phase 2 design & build completion	Complete	5/1/2023
55	Completion - OCM Training for additional work, Reporting Testing	Complete	5/15/2023
82	Data Conversion Resource Payment #8	Complete	5/31/2023
88	UAT Support Resources Payment	Complete	5/31/2023
107	Extend UAT Resource from March 2023 to May 2023	Complete	5/31/2023
97	CR-41 infra services delivered for May 2023	Complete	6/1/2023
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91	UAT/VRM Support Resources Payment	Complete	6/30/2023
98	CR-41 infra services delivered for Jun 2023	Complete	6/30/2023
121	Extending UAT Staff Augmentation resource	Complete	6/30/2023
126	Extending UAT Staff Augmentation resource	Complete	6/30/2023
113	Project Change Request 418728	Complete	7/17/2023
114	Project Change Request 404760	Complete	7/17/2023
115	Project Change Request 404765	Complete	7/17/2023
133	Project Change Request 382565	In Progress	7/17/2023
122	Extending Infra Staff Augmentation resources July 2023	Complete	7/31/2023
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127	Project Change Request 391563	In Progress	8/4/2023
131	Project Change Request 387661	In Progress	8/4/2023
134	Project Change Request 391554	In Progress	8/4/2023
118	Project Change Request 411166	In Progress	8/25/2023
128	Project Change Request 418145	In Progress	8/25/2023
129	Project Change Request 360884	In Progress	8/25/2023
130	Project Change Request 376117	In Progress	8/25/2023
132	Project Change Request 388144	In Progress	8/25/2023
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119	Extending Retail Choice Staff Augmentation resources	Complete	8/31/2023
123	Extending Infra Staff Augmentation resources August 20023	Complete	8/31/2023
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145	Dress Rehearsals Completion	Complete	9/30/2023
120	Extending Data Conversion Staff Augmentation resources	Complete	9/30/2023
149	Addition of Retail Choice staff augmentation resources - Payment 1	Complete	9/30/2023
157	Additional SIT scope/effort assigned to SI	Complete	9/30/2023
137	CR-56 services delivered for Sep 2023	Complete	10/1/2023

138	Operational Readiness Test Completion, Business Readiness Validation Reports Delivered, Go-Live	Complete	10/15/2023
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150	Addition of Retail Choice staff augmentation resources - Payment 2	Complete	10/31/2023
151	Extending Infra Staff Augmentation resources Sep/Oct 2023	Complete	10/31/2023
138	CR-56 services delivered for Oct 2023	Complete	11/1/2023
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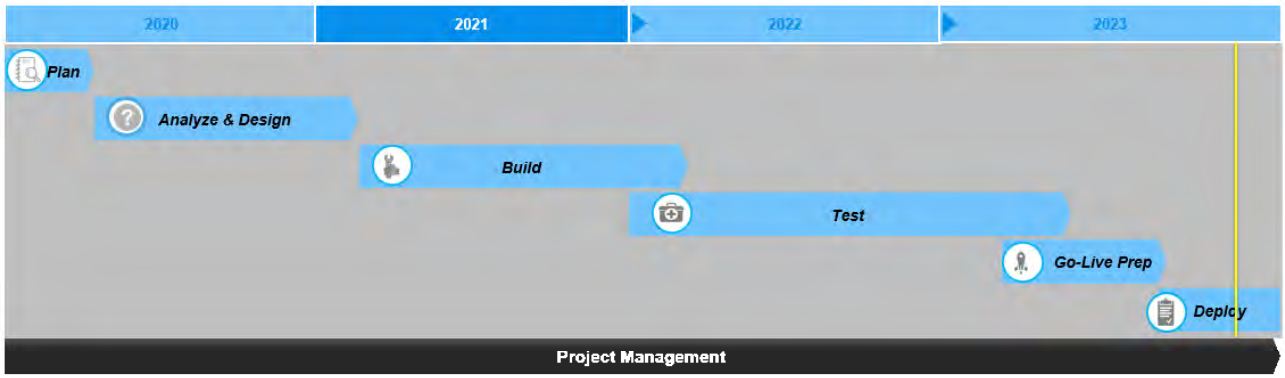
148	Project Change Request 464565	In Progress	12/31/2023
153	Extending Infra Staff Augmentation resources Dec 2023	Complete	12/31/2023
158	Project Change Request 453423	In Progress	12/31/2023
159	Addition of Retail Choice staff augmentation resources - Payment 1	Complete	12/31/2023
160	Project Change Request 438358	In Progress	12/31/2023
161	Project Change Request 427424	In Progress	12/31/2023
140	CR-56 services delivered for Dec 2023	In Progress	1/1/2024
154	Extending Infra Staff Augmentation resources Jan 2024	In Progress	1/31/2024
141	CR-56 services delivered for Jan 2024	In Progress	2/1/2024
142	Final Acceptance	In Progress	2/15/2024
155	Extending Infra Staff Augmentation resources Feb 2024	In Progress	2/28/2024
142	CR-56 services delivered for Feb 2024	In Progress	3/1/2024
143	Stabilization/Post Implementation Support Completion - 2	In Progress	3/15/2024
143	CR-56 services delivered for Mar 2024	In Progress	4/1/2024
144	Stabilization/Post Implementation Support Completion - 3	In Progress	4/11/2024
156	Extending Infra Staff Augmentation resources Mar/Apr 2024	In Progress	4/15/2024

Project Timeline



- **Plan:** Define project plans for major workstreams and conduct final preparations for Analyze & Design phase.
- **Analyze & Design:** Break down the detailed business process flows into more granular individual activity and steps to determine how the process changes should be designed to support the defined To-Be business processes.
- **Build:** Refine the system requirement, configuration, integration, extension, and data conversion designs until they are concrete and detailed enough to be built.
- **Test:** Test every aspect of the solution to ensure that the end-to-end product works as expected. Training also begins during this phase so that future system users are given the foundational knowledge required to smoothly transition to the new system at Go-Live.
- **Go-Live Prep:** Once the system is fully tested, the effort can shift from building and testing the solution to preparing for it to be put in place.
- **Deploy:** Conduct all Go-Live activities and manage any system issues or defects that may arise once the system is live will so as to address and resolve them during this phase. In addition, this phase will extend beyond the "go-live" date to support operations as the new system is deployed.

V. Earned Value

a. Cost Performance Index

Cost Performance Index (CPI) measures the financial effectiveness and efficiency of a project. It represents the amount of completed work for every unit of cost spent since project inception. This ratio is calculated by dividing the budgeted cost of work completed by the actual cost of work performed.

The Earned Value calculations are as follows:

Planned Value (PV) is the budgeted cost for the work scheduled to be done.

Actual Costs (AC) is the money spent for the work accomplished.

Earned Value (EV) is the percent of the total budget completed at a point in time. EV = % complete x budget

Cost Performance Index CPI = EV/AC

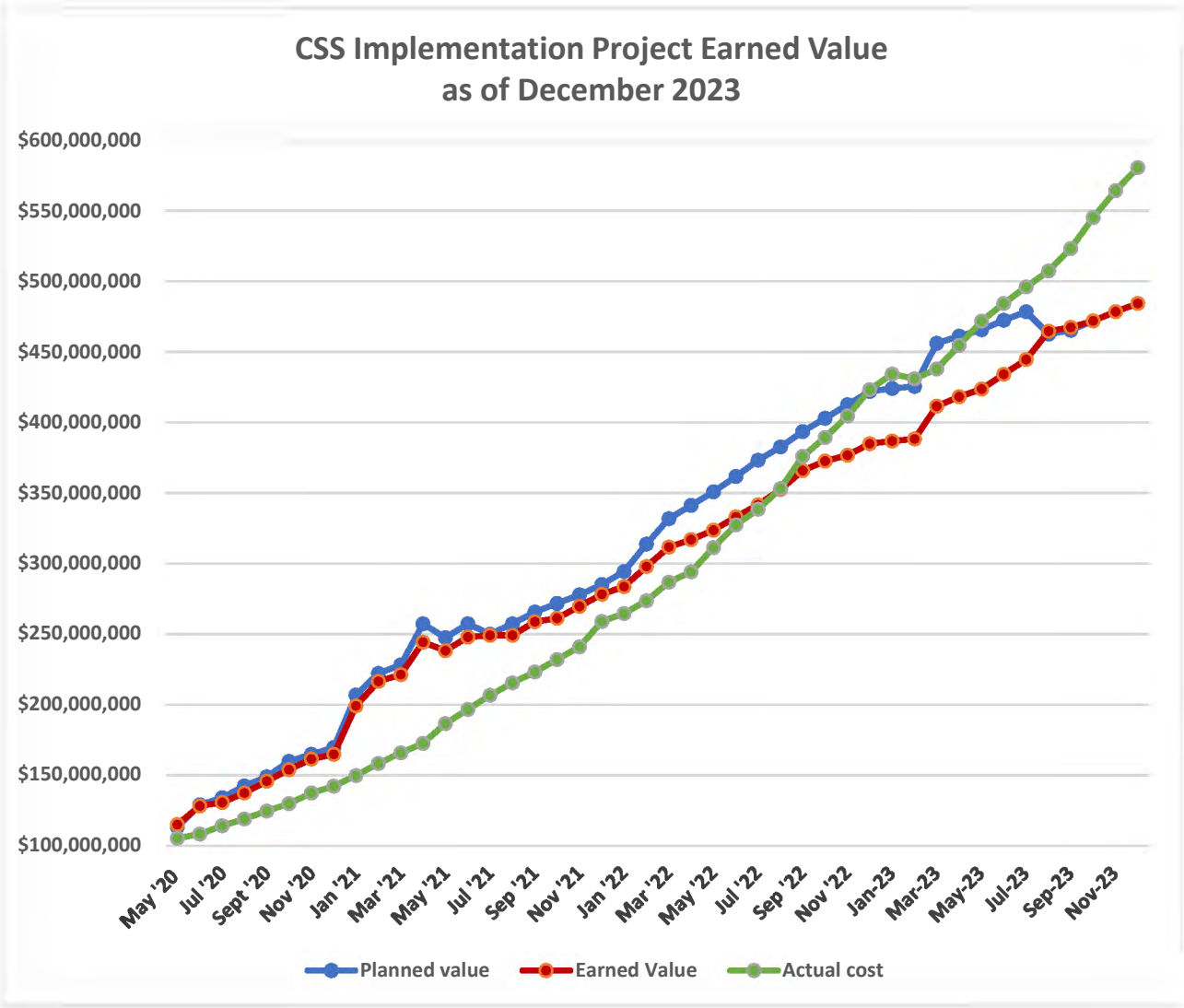
Schedule Performance Index SPI = EV/PV

For the fourth quarter of 2023, the CSS Implementation Project has an average CPI of .85, and as of December 31, 2023, the project has a CPI of .83. The average CPI for the quarter declined from last quarter due to finalizing outstanding milestones and expenditures related to cut over and stabilization.

b. Schedule Performance Index

Schedule Performance Index (SPI) measures how close the project is to being completed compared to the schedule. The ratio is calculated by dividing the budgeted cost of work performed by the planned value.

For the Earned Value (EV) look-back period ending December 31, 2023, the Company has progressed through the project's stabilization phase. Despite the CPI showing overspending against earned value, the SPI shows consistent progress against the plan. As of December 31, 2023, the SPI for the project is 1. The average SPI for the fourth quarter of 2023 is also 1, up from the previous quarter's average of .98.



VI. Organizational Change Management ("OCM")

OCM Strategy Document and Update

Since of the implementation of Oracle CC&B on October 9, 2023, the Organizational Change Management ("OCM") team has been supporting the business through communications, engagement, and training activities as part of the post-go-live Stabilization Phase of the project. One of the most critical components of this support was OCM's activation of the "CORE Champion" support structure, which provides 24/7 end-user support to all key impacted stakeholders including front office and back-office Supervisors and Customer Service Representatives. The CORE Champion structure transitioned project team resources who before go-live served as CC&B instructors into

frontline support roles to assist end-users with CC&B questions or issues. The CORE Champions also act as an escalation point to communicate issues and system defects to CC&B functional and technical support teams for resolution.

OCM has also been providing ongoing communications to key stakeholders. The OCM team supported project status calls with the project stakeholders and business leadership to capture and distribute the key discussion points, issues, and action items for focus. The team also developed communications for all high impact stakeholders to provide them with reminders about CC&B, updates to known issues (e.g., defect resolutions that would result in a process change), and more. From go-live in October through the end of 2023, the OCM team instituted a "weekly roundup" communication to over 2,700 employees to provide these internal stakeholders with insights on key accomplishments and next steps with CC&B. As required, OCM has supported external communications to key stakeholders such as customers, working closely with project team support personnel and organizations such as Bill Operations and Corporate Affairs to address the specific communications needs and deliver the proper communications to those external stakeholders.

From a training perspective, the OCM team has worked with key business organizations to define needs for CC&B refresher training. The goal of this refresher training is to continue to enhance front office and back-office proficiency and productivity so that the business can continue to serve customers as effectively as possible. Refresher training has been or is planned to be provided on the following topics:

- Start Service
- Mixed Meter
- Rate Change Cases
- Deleted Bill Segment Exception Management
- Collections

OCM has leveraged the Oracle Knowledge Advanced ("KA") knowledge management platform to provide access to CC&B processes and procedures and training materials. Oracle KA is integrated with Oracle CC&B and can be directly accessed by end-users from within the CC&B application.

CSS Implementation

Status Report

April 15, 2024

I. Introduction

Consolidated Edison Company of New York, Inc. ("Con Edison" or the "Company") submits its April 15, 2024 update on Con Edison's Customer Service System ("CSS") implementation project.[1]

II. CSS Project Update

The Customer Care and Billing ("CC&B") system has been live since October 9, 2023, and the project came to a close on April 12, 2024, after six months of stabilization support. The project team has transitioned to a steady state structure with a focus on maintaining the CC&B system to support operations and developing CC&B enhancements to meet emerging business needs. While the project has officially concluded, the Company continues to monitor its stabilization metrics so that business operations are properly supported.

III. Project Cost Performance

a. Project Cost Variance (budget v. actual)[2]

In the first quarter of 2024, the Company spent $13.5 million, which is slightly higher than the $13.4 million that was forecast for the quarter. The Company's electric and gas rate plans include a downward-only O&M reconciliation for the remainder of the CSS project. Any deferral amount at the end of CSS implementation will be credited to customers.[3] The Company spent $7.2 million on O&M in the first quarter of 2024. An updated cost table will be provided once final project costs through the project completion date are available.

The following chart details the first quarter budget results for 2024:

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[1] Cases 22-E-0064/22-G-0065, Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plans with Additional Requirements ("Rate Order"), July 20, 2023.

[2] This report is being filed pursuant to the Con Edison Rate Order and, as such, discusses only the Con Edison portion of the project costs. For informational purposes, cost tables include the full project costs, including O&R's allocation of such costs.

[3] Cases 22-E-0064/22-G-0065, Joint Proposal, February 16, 2023, at Section E.12.

	Q1 2024			Project Costs To Date		
CECONY	**Actuals**	**Budget**	**Variance**	**Actuals**	**Budget**	**Variance**
Capital	$13,300	$8,431	($4,869)	$509,269	$510,000	$731
O&M	$9,226	$4,803	($4,423)	$54,363	$36,000	($18,363)
Total Con Edison	$22,526	$13,234	($9,293)	$563,632	$546,000	($17,632)
O&R						
Capital	$1,679	$611	($1,067)	$38,885	$39,000	$115
O&M	$492	$466	($27)	$3,807	$3,000	($807)
Total O&R	$2,171	$1,077	($1,094)	$42,692	$42,000	($692)
Total CECONY & O&R	$24,697	$14,310	($10,387)	$606,325	$588,000	($18,325)

b. Change Control Metrics

The Company and the System Integrator utilized a change control process to allow for modifications of milestone deliverables or the addition of new scope. Under this process, the Company and the System Integrator must agree to any additional scope or changes to the milestone deliverables that were included in the initial statement of work. In total, the project has approved XX change requests. In the first quarter of 2024, there was one approved change requests with a cost of $59,000.

IV. Project Schedule Performance

a. Schedule Adherence

The project concluded on April 12 and has completed all project phases as shown in the table below.

		% Complete	
Phase	**Dates**	**December 31, 2023**	**April 15, 2023**
Planning	1/2/20 – 3/31/20	100%	100%
Analyze & Design	4/1/20 – 2/26/21	100%	100%
Build & User Testing	1/4/21 – 3/31/22	100%	100%
Testing	1/3/22 – 2/28/23	100%	100%

Go-Live Prep[4]	1/2/23 – 10/8/23	98%	100%
Deploy	10/9/23 – 4/12/24	50%	100%
Overall Project Progress		95%	100%

b. Project Milestones

The outstanding 2023 milestones and remaining 2024 milestones have been completed.

2023 – 2024 Milestones			
Milestone #	Milestone Description	Status	Milestone Due Date
92	CR-41 infra services delivered for Nov and Dec 2022	Complete	1/1/2023
53	Completion - SIT3 Testing, Build for R5 Integration, Reporting and Data Conversion Items	Complete	1/15/2023
54	User Acceptance Testing Completion - Cycle 3 and Phase Completion, Performance Testing Completion, Parallel Bill Testing Completion	Complete	1/31/2023
70	UAT Resources Payment #7	Complete	1/31/2023
78	Data Conversion Resource Payment #4	Complete	1/31/2023
84	UAT Support Resources Payment	Complete	1/31/2023
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93	CR-41 infra services delivered for Jan 2023	Complete	2/1/2023
94	Proficiency Optimization Materials Delivered	Complete	2/28/2023
71	UAT Resources Payment #8	Complete	2/28/2023
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94	CR-41 infra services delivered for Feb 2023	Complete	3/1/2023
99	CR-43 Phase 1 design & build completion	Complete	3/1/2023
54	SIT4 Testing Completion	Complete	3/15/2023
73	Retail Choice Resources Payment #2	Complete	3/31/2023
80	Data Conversion Resource Payment #6	Complete	3/31/2023
86	UAT Support Resources Payment	Complete	3/31/2023
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102	CR-43 Phase 2 design & build completion	Complete	5/1/2023
55	Completion - OCM Training for additional work, Reporting Testing	Complete	5/15/2023

[4] Go-Live prep dates were updated to align with the October 9 go-live date.

82	Data Conversion Resource Payment #8	Complete	5/31/2023
88	UAT Support Resources Payment	Complete	5/31/2023
107	Extend UAT Resource from March 2023 to May 2023	Complete	5/31/2023
97	CR-41 infra services delivered for May 2023	Complete	6/1/2023
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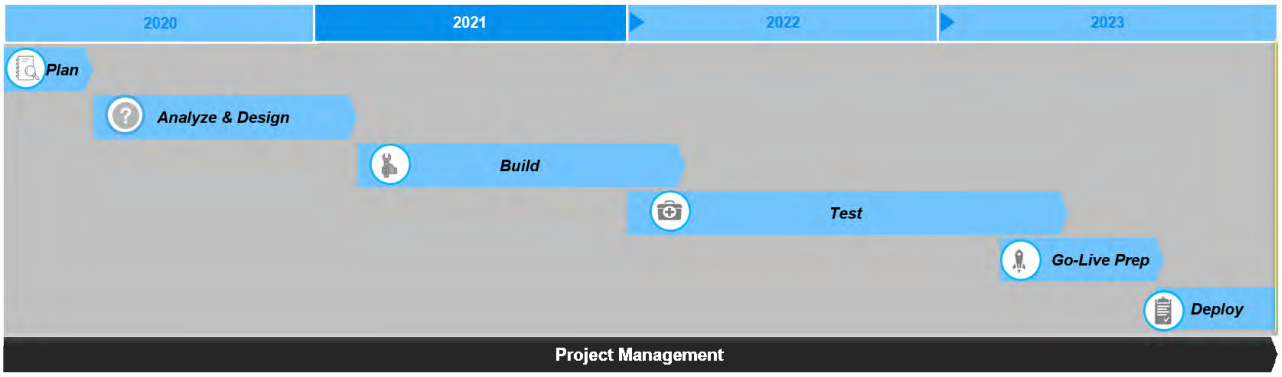
143	Stabilization/Post Implementation Support Completion - 2	Complete	3/15/2024
143	CR-56 services delivered for Mar 2024	Complete	4/1/2024
144	Stabilization/Post Implementation Support Completion - 3	Complete	4/11/2024
156	Extending Infra Staff Augmentation resources Mar/Apr 2024	Complete	4/15/2024

Project Timeline



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Earned Value (EV) is the percent of the total budget completed at a point in time. EV = % complete x budget

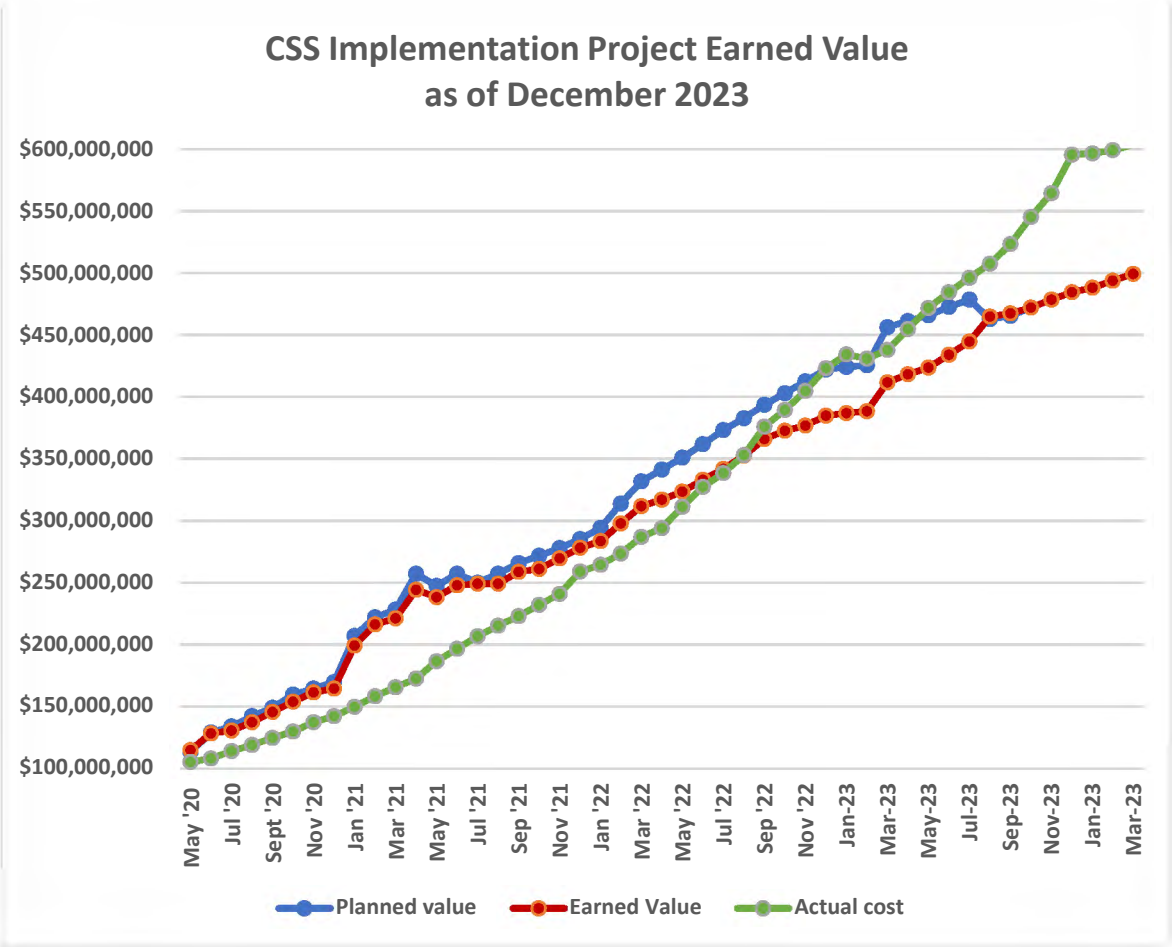
Cost Performance Index CPI = EV/AC

Schedule Performance Index SPI = EV/PV

The CSS Implementation Project had an average CPI of .82 for the first quarter of 2024, and as of March 31, 2024, the project has a CPI of .83. The average CPI for the quarter declined from last quarter due to finalizing the remaining project milestones.

b. Schedule Performance Index

Schedule Performance Index (SPI) measures how close the project is to being completed compared to the schedule. The ratio is calculated by dividing the budgeted cost of work performed by the planned value. For the Earned Value (EV) look-back period ending March 31, 2024, the SPI remained consistent at 1 throughout the quarter.



VI. Organizational Change Management ("OCM")

OCM Strategy Document and Update

During the first quarter of 2024, the Organizational Change Management (OCM) Team supported the business in critical areas such as communication and training through the final months of stabilization. Our CORE Champion Network, which provided front-line support to assist end-users with CC&B questions, was decommissioned on February 5, 2024, due to the continued decrease in daily inquiries. The OCM Team continued to monitor escalated complaints and technical issues that might have required specific functional support.

OCM provided ongoing communications to key stakeholders and worked closely with the Functional Team to send targeted communications to provide insight into key project announcements, defect resolution, or process workarounds.

The team also concluded the planned Credit and Collections refresher training before resuming collections and severance. The collections and severance processes were suspended after the system went live so that the Company could validate those processes in production. The focus of the refresher training was to enhance the front-office and back-office proficiency and productivity to better serve customers as effectively as possible. The training team continued to update and create new training job aides for CC&B end users throughout the quarter.

Exhibit B

FOR IMMEDIATE RELEASE

Cue the Applause! CS Week Reveals Its 2024 EEA Winners and Finalists

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Sherman, TX, Wednesday, February 14, 2024 – Celebrating its 48th conference in Fort Worth, TX during the week of April 29 – May 2, 2024, CS Week proudly announces an early peek at its slate of 2024 Expanding Excellence Award (EEA) winners and finalists. This year's company categories recognize nine winners and five finalists at two levels: Level I (utilities with annual revenues greater than $1B) and Level II (utilities with annual revenues less than $1B). Besides company awards, CS Week also heralds five individuals as Distinguished Leaders and Rising Stars. Today's early announcement anticipates individual EEA award ceremonies on Wednesday, May 1, and company award ceremonies with video highlights on Thursday, May 2, both during general sessions hosted by CS Week CEO Rod Litke at the Fort Worth Convention Center. "This is one of the best parts of my job," Litke said. "It's an honor to salute utility innovation and success as they plan, deliver and sustain outstanding customer experience (CX) and to showcase the exceptional industry professionals who make these initiatives happen."

Best CIS Implementation – Salutes major implementations of customer information systems (CIS), evaluated on budget and schedule adherence, operational efficiency and effectiveness after go-live, innovative solutions and improved customer service delivery.

Level I: **Winner -** Consolidated Edison, Inc.[1] **Finalist -** Colorado Springs Utilities[2]

[1] Replaced three legacy CIS to modernize, centralize and transform the way ConEd interacts with its 3.7 million customers and 14,000 employees for the full range of meter-to-cash business processes in its CORE program.

[2] Upgraded key systems, during its Customer Technology Modernization Program, for meter-to-cash systems already in use, added integrations to other organizational systems and leveraged out-of-the-box functionality to ensure any retained customizations were developed within the standard application development framework to minimize remediation in future upgrades.

Level II: **Winners -** Gainesville Regional Utilities[1]
Newfoundland Power[2]

[1] Replaced an outdated system during Project ICE including its customer self-service portal and mobile work management system, while adding integrations that facilitated interfaces with other GRE systems like financials, communications, field services and reporting.

[2] Designed, implemented and delivered a state-of-the art, replacement CIS solution that provided service continuity, maintained service efficiency and enhanced the CX with its Customer Connect Project.

Innovation in Digital Engagement – Showcases technologically complex projects that improve services in the meter-to-cash CX lifecycle through digital engagement.

Level I: **Winner -** PSEG Long Island[1]

[1] Implemented a Time of Use (TOU) rates pilot that successfully shifted load, led to an average 10% savings on customer bills and created the foundation for their governing authority to approve a full-scale rollout of TOU rates for all 1.1 million customers.

Level II: **Winner -** City of Tallahassee[1] **Finalist -** WSSC Water[2]

[1] Launched a new CIS, meter data management (MDM) and customer self-service portal to support the needs and enhance the experience of customers and residents.

[2] Partnered with a commercial off-the-shelf solution to reduce call volume pertaining to pay plans and payment arrangements, exacerbated by pandemic mandates, allowing service representatives to address other customer inquiries and needs.

Innovation in Field Automation – Features utilities that have completed a recent implementation that optimized field services in areas like mobile workforce and asset management, deployment of advanced metering infrastructure (AMI) and automatic meter reading, and use of geographic data and advanced analytics to improve response time and streamline back-office processes.

Level I: **Winner -** Next Era/Florida Power and Light[1] **Finalist -** Pacific Gas & Electric[2]

[1] Developed processes and technology to manage large numbers of field and back-office resources, logistics and field positioning, plus cost and time capture for severe events and natural disasters with the FPL StormForce management tool.

[2] Integrated a digital field service management platform to grant field workers direct access to information via mobile devices/tablets, empower them with smart data management and real-time document access, and provide an interface for managing daily field operations.

Level II: **Winner -** Citizens Energy Group[1] **Finalist -** Las Vegas Valley Water District[2]

[1] Implemented a field services management platform that integrated multiple applications including their CIS with other work order, inventory, timesheet, vehicle tracking and asset location management systems.

[2] Implemented, after a successful pilot, its weekly irrigation compliance detection program to leverage usage trends provided by its AMI system and notify customers about program compliance requirements and track their behavioral changes.

Innovation in People & Process – Awards projects that emphasize soft skills, low-tech solutions and non-automated approaches to engage customers and improve services in the meter-to-cash CX lifecycle.

Level I: **Winner -** ENMAX Energy[1] **Finalist -** Southern Company Gas[2]

[1] Implemented a year-round load limiter program to support residential customers struggling with bill payments, allowing them limited power while they worked with ENMAX Energy and other agencies to make full payment for electric services already received.

[2] Transformed their CX culture through a new brand, vision, mission statement and dictum – “A Culture of C.A.R.E. (Compassion, Accountability, Respect and Empowerment)”, including a volunteer “Serve Day” event in recognition of Domestic Violence Awareness Month where employees assembled care packages for select agencies and the victims they assist.

Level II: **Winner -** Mount Pleasant Waterworks[1]

[1] Automated its previously manual penalty, outbound notification and lockout processes so it could be handled without user intervention, allowing staff to better support customer service functions and more effectively communicate with meter technicians.

2024 Distinguished Leaders: James Barnes[1] Janette Espino[2]

[1] Chief Customer Officer of the City of Tallahassee, FL, Barnes oversaw successful enterprise-wide projects, specifically its recent CIS implementation, along with a multiyear plan for current and future technology initiatives, like work and asset management, mobile work and outage management systems, an IVR migration and a prepay program. Barnes, a proven problem solver, has created processes to support change management, human resources and training.

[2] Vice President - Customer Operations at Orange & Rockland Utilities, Inc., Espino excels at building winning teams and effectively completing large projects on time and on budget, particularly the CORE Project that implemented a CIS with 750 configurations and 700 integrations. She actively participates in Con Edison's corporate mentoring program and is an energetic volunteer with their Power of Giving program.

2024 Rising Stars: Ursula Bosson[1] Chance Kinnison[2] Damir Omanovic[3]

[1] Customer Service Manager at Las Virgenes Municipal Water District, Bosson developed and implemented the District's advanced metering and flow restrictor program, including timely inspections and maintenance of pressure regulators, backflow devices and meter vaults, saving claims costs and providing a high level of customer service.

[2] A program analyst for CPS Energy, Kinnison leverages his experience and skill set with innovative data and methodologies to support the organization's customer strategy, providing analytics and insights on geographic patterns that represent the community and customer segmentation that has particularly informed the utility's financial assistance programs.

[3] The program manager for North of 60 CIS Replacement Project at ATCO Electric, Omanovic presided over the strategy and success of multiple information technology projects to replace their CIS and meter data management systems and move Measurement Canada compliance functionality and complex integrations to the new application.

EEA continues as one of the highlights of CS Week 2024. Over 2,000 utility and vendor attendees will be welcomed for four days of learning and connections. Functionally-driven venues offer utility customer service content and easy networking, including these:

- **Executive Summit:** C-suite level utility customer service and supporting IT executives convene for strategic sessions focused on today's challenges and solutions.
- **Key Account Forum:** Utility professionals who support sensitive and high-revenue customers share service best practices, lessons learned and evolution of their valuable engagement roles.
- **Deep Dives:** Discussion-focused groups tackle and compare issues related to customer service business processes and programs.
- **Electric Vehicles CX Forum:** With fleet electrification being a hot industry topic, this group shares and explains their utility programs, service challenges and marketplace solutions.
- **ENGAGE311:** Customer service center professionals hear and share 311 operational issues and technology plus soft-skill solutions.
- **Conference:** With its 2024 "Forging New Connections" theme, Conference launches Tuesday with Attendee Orientation and lasts through Thursday's special event, this year starring Emerald City Band. Attendees select from 70+ workshops spanning the CX lifecycle, attend general sessions, listen to keynote speakers, this year featuring Greg Bell on Wednesday and Oncor executives, Debbie Dennis and Allyn Giles on Thursday, and connect with 120+ vendors at the largest exhibit hall in the industry.

"Today's utilities are complex and complicated, all striving to design, create and maintain a frictionless, efficient CX that offers much more than take-it-or-leave-it service," explained Litke. "Technology has dramatically changed business so utility professionals at every maturity level come to CS Week to learn from leaders and innovators, share their successes and setbacks and engage in mutual support for each other's service delivery journeys." He continued, "We treat our company and individual EEA winners and finalists like rock stars because they serve as great role models and best practice examples. Every year, I am stunned by the level of sophistication, ingenuity and execution of these projects and initiatives which are changing the way utilities engage with customers to foster a trustworthy partnership with options and information that today's customers demand and expect."

CS Week's annual EEA application/nomination process opens in September and closes in December. For more information

about EEA, visit **events.csweek.org/EEA**.

About CS Week

CS Week is the premier annual educational and customer service conference serving electric, gas and water/wastewater utility professionals across North America and around the world. CS Week provides learning and networking opportunities in support of the utility CX lifecycle: Billing & Payments, Contact Center, Credit & Collections, Digital Engagement, Disruptors, Field Services, and Strategies & Analytics. Leadership Development, EEA winner presentations and Sponsor Solutions round out the workshops' agenda.

A 501(c)(3) nonprofit organization, CS Week attracts attendees from utilities of all sizes. It enjoys a supportive partnership with scores of industry partners, sponsors and exhibitors. CS Week offers year-round webinars, podcasts and digital content that showcase utility success stories, update attendees on marketplace trends and keep them connected. Advisory panels and steering committees shape and focus every CS Week, ensuring content is aligned with mission and reflects current industry challenges and issues. CS Week adapts to and reflects industry times while holding fast to its core foundation - providing utility professionals at every level valuable education and networking opportunities - with an emphasis on 'Expanding Excellence in Customer Service.' For more information, visit **www.csweek.org**.

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