

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

At a session of the Public Service  
Commission held in the City of  
Albany on December 19, 2024

COMMISSIONERS PRESENT:

Rory M. Christian, Chair  
James S. Alesi  
John B. Maggiore  
Uchenna S. Bright  
Denise M. Sheehan  
Radina R. Valova

CASE 22-M-0429 - Proceeding on Motion of the Commission to  
Implement the Requirements of the Utility  
Thermal Energy Network and Jobs Act.

ORDER ADDRESSING PETITIONS OF CON EDISON AND NATIONAL GRID FOR  
RELIEF OF COST CAP THROUGH STAGE 2

(Issued and Effective December 20, 2024)

BY THE COMMISSION:

INTRODUCTION

Pursuant to the Utility Thermal Energy Network and  
Jobs Act (the Act), the largest electric and gas utilities in  
New York State, including, in part, Consolidated Edison Company  
of New York, Inc. (Con Edison), and National Grid USA via its  
operating entity Niagara Mohawk Power Corporation d/b/a National  
Grid (National Grid), must submit to the Public Service  
Commission (Commission) for review and approval at least one  
utility thermal energy network (UTEN) pilot project proposal.<sup>1</sup>

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<sup>1</sup> Public Service Law (PSL) §66-t(2).

As required by the Commission's Guidance Order,<sup>2</sup> Con Edison filed three and National Grid filed two Final UTEN Pilot Project Proposals.<sup>3</sup> The Guidance Order established a five stage process from which a utility's project will proceed from one stage to the next only after Staff or the Commission, as appropriate, is satisfied that the utility has complied with the requirements for each stage. This stage-gating process recognized the dynamic nature of this endeavor and imposed structure to the process to provide greater transparency for all interested stakeholders. To limit the potential costs to ratepayers while the utilities develop their pilot projects, the Commission imposed a limit on the costs the utility may incur from project inception through finalizing the Pilot Project Engineering Design and Customer Protection Plans, referred to herein as Stage 2, of ten percent of the proposed pilot project budget (Interim Cost Cap). The Guidance Order provided specific maximum costs for each project.

Con Edison and National Grid filed petitions in May 2024,<sup>4</sup> seeking Commission authorization to increase the maximum

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<sup>2</sup> Case 22-M-0429, Order Providing Guidance on Development of Utility Thermal Energy Networks (issued September 14, 2023) (Guidance Order).

<sup>3</sup> Case 22-M-0429, Con Edison UTEN Chelsea Final Proposal, (filed November 30, 2023) (Chelsea Project); Case 22-M-0429, Con Edison UTEN Mount Vernon Final Proposal Final Proposal (filed November 30, 2023) (Mount Vernon Project); Case 22-M-0429, Con Edison UTEN Rockefeller Center Final Proposal (filed November 30, 2023) (Rockefeller Center Project); Case 22-M-0429, National Grid Troy Pilot Final UTEN Pilot Project Proposal (filed December 15, 2023) (Troy Project); Case 22-M-0429, National Grid Syracuse Pilot Final UTEN Pilot (filed December 15, 2023) (Syracuse Project).

<sup>4</sup> Case 22-M-0429, UTEN Pilot Funding Petition (filed May 3, 2024) (Con Edison Petition); Case 22-M-0429, NMPC UTEN Increase in Authorized Funding Petition (filed May 22, 2024) (National Grid Petition).

amount they can spend on their respective pilot projects through Stage 2.<sup>5</sup> This Order grants, with modifications, Con Edison's request for increases in the Interim Cost Cap for its three projects and National Grid's request for an increase in the Interim Cost Cap for its project located in Troy, New York. Further, this Order denies National Grid's request to increase the Interim Cost Cap for its project located in Syracuse, New York. The Appendix to this Order provides the updated Interim Cost Caps for these projects.

#### THE PETITIONS

##### Con Edison

The Con Edison Petition requests Commission authorization to incur necessary administration and contingency costs for its portfolio of utility thermal energy network pilot projects. According to the Con Edison Petition, the ten percent spending cap implemented in the Guidance Order failed to include Con Edison's forecasted administrative and contingency costs as identified in its August 16, 2023 supplemental filing.<sup>6</sup> Con Edison states that the Interim Cost Cap approved pursuant to the Guidance Order, including \$6.2 million for the Chelsea project, \$5.1 million for the Mount Vernon project, and \$5.8 million for the Rockefeller Center project, amounts to only seven percent of the Company's total budget for its pilot project portfolio. To successfully develop the projects through Stage 2, Con Edison

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<sup>5</sup> New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation also filed petitions requesting relief of the Interim Cost Cap on July 29, 2024. These petitions are under consideration and are not addressed in this Order.

<sup>6</sup> Case 22-M-0429, Con Edison August 2023 Chelsea Project and Portfolio Update (filed August 16, 2023) (Con Edison Supplemental Filing).

requests authorization to defer an additional \$6.0 million across all three pilot projects. By project, Con Edison seeks an additional \$2.1 million for the Chelsea Project, \$1.3 million for the Mount Vernon Project, and \$2.6 million for the Rockefeller Center Project.<sup>7</sup> If approved, the Con Edison Petition states that this funding includes \$5.2 million in portfolio administration costs and \$2.3 million of contingency costs to cover unexpected pilot project developments and requirements across its three pilot projects. The Con Edison Petition states that this additional funding would bring Con Edison's authorized expenditures to nine percent of the overall portfolio budget, still below the Guidance Order's intended ten percent cap.

The Con Edison Petition explains that the portfolio administration costs include incremental labor, support services, program management, and data management. The labor funding request is further detailed, indicating the intent to cover costs for eight full-time equivalent employees including one Department Manager, one Regulatory and Stakeholder Manager, one Billing, Legal, and Project Integration Manager, one Customer Outreach and Engagement Lead, one Project Management Office-Certified Project Manager, one Finance Manager, and two Engineering Managers. Further, states Con Edison, the support and management functions of the requested administration costs would include labor and vendor activities such as: management of

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<sup>7</sup> Table 1 on page 4 of the Con Edison Petition transposed the dollar amounts indicated for line-item Total Authorized Funding Amount for the Rockefeller Center Project, which should be \$5.8 million, and the Mount Vernon Project, which should be \$5.1 million dollars. This resulted in an error in the Total Forecasted Shortfall through Stage 2 (Funding Amount Requested). The correct shortfall amount is \$1.9 for the Rockefeller Center Project and \$2.0 million for the Mount Vernon Project.

design vendors, development of final design deliverables, development of customer agreements and protection plans, rate development, and workforce development.

According to Con Edison, the need for a contingency amount, 15 percent of the total budget, is due to potential unforeseen changes in project design through Stage 2 and the need to prevent a delay or interruption in project development due to such circumstance. The Con Edison Petition elaborates that this may include unexpected costs associated with engineering design, as well as metering, data collection, modeling, and test bore hole drilling. Con Edison asserts that this 15 percent contingency request is reduced from the 30 percent contingency amount identified in the Con Edison Supplemental Filing, as the preliminary design phase of the project necessitates less of a contingency amount.

Finally, the Con Edison Petition requests flexibility to manage the total administration budget across its three proposed pilot projects, highlighting that most administrative activities, such as project management, standardized customer agreement development, and cross-project engineering design review, would occur across the entire project portfolio. Con Edison also seeks flexibility to shift approved engineering design budgets, including contingency, across the three proposed pilot projects and signals it will spend to the existing Interim Cost Cap in the fourth quarter of 2024.

#### National Grid

The National Grid Petition requests Commission authorization to increase the Interim Cost Cap for the Troy Project by \$1.2 million, and seeks an additional \$1.6 million for the Syracuse Project. The National Grid Petition states that the additional funding would bring the total authorized spending through Stage 2 to 4.6 percent of the updated Troy

Project budget and 6.3 percent of the updated Syracuse Project budget, as updated in the Company's December 15, 2023 final pilot project proposal filings.<sup>8</sup> This additional funding request includes a 40 percent contingency to cover unexpected pilot project developments and design requirements for each pilot project. National Grid estimates it will reach the existing Interim Cost Cap for the Troy Project in September 2024, but did not specify a timeframe for when it would reach the existing Interim Cost Cap for the Syracuse Project.<sup>9</sup>

The National Grid Petition states that the amount used by the Commission to calculate the ten percent Interim Cost Cap was based on high-level cost estimates from National Grid's original January 9, 2023 proposal.<sup>10</sup> The National Grid Petition argues that applying the ten percent cap to the updated cost estimates, provided in its December 15, 2023 filing, would result in a maximum funding through Stage 2 of \$5.2 million for the Troy Project and \$13.3 million for the Syracuse Project. However, National Grid states it is only forecasting total costs through Stage 2 of \$2.4 million for the Troy Project and \$8.3 million for the Syracuse Project. Thus, argues National Grid, its request should be viewed as approximately \$7.8 million less than the \$18.5 million cost cap that would apply to the two pilot projects if the cap were set based on ten percent of the updated costs from the December 15, 2023 filing. National

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<sup>8</sup> Case 22-M-0429, Final Utility Thermal Energy Network Pilot Proposal for Troy, New York (filed December 15, 2023), p. 36; 22-M-0429, Final Utility Thermal Energy Network Pilot Proposal for Syracuse, New York (filed December 15, 2023), p. 48.

<sup>9</sup> As of December 19, 2024, National Grid has not hit its current Interim Cost Cap for development of the Troy Project through Stage 2.

<sup>10</sup> Case 22-M-0429, UTEN Pilot Proposal NMPC KEDNY January 9 2023 (filed January 10, 2023).

Grid's Petition further states that it has already spent \$0.5 million on the Troy Project, and that the project's costs will soon exceed the \$1.2 million existing Interim Cost Cap.

The National Grid Petition provides details on the total forecasted costs to progress each pilot project through Stage 2 and the anticipated shortfall between the forecasted amount and the existing Interim Cost Caps for the projects. All of the forecasted costs include escalation, a 40 percent contingency, and incremental overheads, in addition to costs National Grid has already incurred to advance the pilot projects. National Grid's forecasted costs fall into three categories: consultant engineering design costs, internal labor, and permitting.

#### NOTICE OF PROPOSED RULEMAKING

Pursuant to the State Administrative Procedure Act (SAPA) §202(1), a Notice of Proposed Rulemaking regarding the Con Edison Petition was published in the State Register on July 3, 2024 [SAPA No. 22-M-0429SP12]. The time for submission of comments pursuant to this notice expired on September 2, 2024. The City of New York (the City) filed comments on September 3, 2024, and Con Edison filed reply comments on September 16, 2024. The comments are summarized and addressed in the relevant sections below.

Additionally, a Notice of Proposed Rulemaking regarding the National Grid Petition was published in the State Register on July 10, 2024 [SAPA No. 22-M-0429SP13]. The time for submission of comments pursuant to this notice expired on September 9, 2024. No comments were received.

COMMENTS

In its comments, the City requests that the Commission deny the Con Edison Petition for an increase in the Interim Cost Caps for the Chelsea, Mount Vernon, and Rockefeller Center Projects. The City states that it supports efforts to decarbonize its building stock, however it expresses concern with the overall technical and economic viability of Con Edison's UTEN pilot projects, noting that Con Edison has made little progress on the pilot projects. Citing the affordability requirement of the Act, the City urges the Commission to consider the economic feasibility of the pilot projects. The City claims that Con Edison's request for additional funding conflicts with information presented in the Con Edison Petition. First, the City believes that Con Edison is asking for more money for design work, despite the utility knowing that its costs for design work are less than the budgeted amount. Second, the City notes its concern that no engineering design work has commenced yet, despite Con Edison requesting additional funding to redesign the projects, and questions the prudence of such funding. Third, the City disagrees with Con Edison's assertion that the Commission did not authorize sufficient Interim Cost Caps, stating that Con Edison increased its budget two months after becoming aware of Interim Cost Caps.

In reply, Con Edison argues that the City's comments have no merit and urges the Commission to reject them. Con Edison states that the City's assertion that Con Edison increased its projected costs after the Commission implemented the Interim Cost Caps is false because Con Edison submitted an updated filing prior to the issuance of the Guidance Order. Further, Con Edison states it has completed further due diligence to confirm that its requested administrative and contingency costs are necessary to complete Stage 2 of the pilot

projects. Con Edison argues that, if the Commission grants its petition, the Interim Cost Caps for the three projects would be nine percent of the cumulative budget based on Con Edison's cost projections. Further, Con Edison disputes the City's claim regarding a perceived lack of budgetary prudence by stating that the requested contingency amounts will cover unforeseen costs and enable Con Edison to continue and complete design work. Con Edison reiterated its efforts to control costs and explains how it finalized design contracts in August while simultaneously making progress on other engineering design activities. Con Edison lists its progress to date to rebut the City's claim that little progress has been made on the pilot projects. Con Edison further states that it is too early in the UTEN process to determine the economic or technical viability of the UTEN pilot projects.

#### LEGAL AUTHORITY

PSL §66-t(2) requires "each of the seven largest gas, electric, or combination gas and electric corporations" to submit at least one and as many as five proposed thermal energy projects to the Commission for approval. Further, PSL §66-t(2) requires that the Commission determine whether it is "in the public interest to approve or modify such pilot thermal energy network projects."

#### DISCUSSION

##### Con Edison

The Guidance Order set the Interim Cost Cap for each UTEN pilot project at ten percent of the total pilot project costs estimated by the utilities as of September 14, 2023. The estimated costs used to calculate the authorized costs for the three Con Edison projects included project specific engineering

design costs only and did not factor in separate consolidated project portfolio administration and contingency amounts that Con Edison presented across all three projects. As such, the Interim Cost Caps authorized in the Guidance Order only included \$6.2 million for the Chelsea Project, \$5.1 million for the Mount Vernon Project, and \$5.8 million for the Rockefeller Center Project for a total of \$17.1 million through Stage 2. Upon review, the Commission finds that prorating a portion of the portfolio administration and contingency costs to each pilot project is appropriate. Merely recalculating ten percent of the projects' total budgets including the portfolio administration and contingency costs would result in a total authorized cost of \$9.16 million for the Chelsea Project, \$7.73 million for the Mount Vernon Project, and \$8.64 million for the Rockefeller Center Project, totaling \$25.5 million, or \$2.4 million more than the relief sought in Con Edison's petition.

The Commission appreciates the City's comments and the emphasis on prudent use of ratepayer funds in support of UTEN pilot projects. As detailed further below, Con Edison has provided justification for the requested relief and in fact, has reduced costs estimates in some areas. With regard to the City's comments about lack of progress and the timing of Con Edison's request, the Commission finds that Con Edison's reply comments adequately refute the claims made by the City. The Commission notes, according to Con Edison's Utility Thermal Energy Network Monthly Progress and Expenditure Report, Con Edison has incurred the following costs through October 31, 2024:

<b>Project</b>	<b>Costs Incurred (approximate)</b>	<b>Percent of Existing Interim Cost Cap</b>
Chelsea Project	\$1.8 million	29%
Mount Vernon	\$2.0 million	34%
Rockefeller Center	\$1.7 million	34%

In its petition, Con Edison presented refined engineering design costs that include a reduction in the total estimated engineering design costs of \$1.5 million across the three projects compared to the costs included in the Con Edison Supplemental Filing, which demonstrates Con Edison's ability to reduce costs when warranted.<sup>11</sup> Con Edison's petition also provided revised Stage 2 portfolio administration costs showing an increase of approximately \$0.2 million for each of the Chelsea and Rockefeller Center Projects and an approximately \$1.5 million increase for the Mount Vernon Project. Con Edison identifies a need for additional test boreholes as the reason for the increase in the Mount Vernon Project's estimated Stage 2 costs. The Commission notes that these increases are nearly offset by the reduction on the engineering design costs and concludes that Con Edison's justification is within reason and responsive to the in-field needs of the distinct projects.

In its petition, Con Edison also updated its budgeted contingency amount to approximately \$2.3 million, which it calculated by applying a 15 percent contingency to only the engineering design activity costs and eliminating any contingency for portfolio administration costs. This is an approximately \$1.7 million reduction from the contingency amount identified in the Con Edison Supplemental Filing, which included

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<sup>11</sup> The total \$1.5 million dollar reduction includes a reduction of \$0.1 million and \$1.9 million for the Chelsea and Mount Vernon Projects, respectively, and an increase of \$0.5 million dollars for the Rockefeller Center Project.

a contingency amount based on 30 percent of the the total project costs, including both engineering design and portfolio administration costs. The reduction from 30 percent to 15 percent contingency for engineering design costs reflects Con Edison's recognition that during the initial design stage, 15 percent of estimated engineering design costs is reasonable. The Commission views this as a demonstration of Con Edison's actions to realistically budget and control costs.

Lastly, with regard to the City's urging that the Commission consider the economic feasibility of the pilots, the Commission notes that, pursuant to the Guidance Order, all UTEN pilot projects require Commission approval to advance to Stage 3, Customer Enrollment and Pilot Project Construction. Further, as explained in the Guidance Order, long-term economic feasibility will inform, in part, the Commission's review of the public interest requirement for determining whether to authorize a pilot project's advancement to Stage 3. This determination will be made following the Company's Stage 2 filings and further public comment.

The Interim Cost Caps requested by Con Edison do not exceed ten percent of the total budget for the three projects as of the date of the Guidance Order. Based on that fact and the justification Con Edison provided for its requested Interim Cost Caps, the Commission upwardly adjusts the Interim Cost Caps through Stage 2 applicable to Con Edison's three projects to \$8.3 million for the Chelsea Project, \$7.1 million for the Mount Vernon Project, and \$7.7 million for the Rockefeller Center Project.

In its petition, Con Edison also seeks budget flexibility to manage the total engineering design budget and portfolio administration budget across its portfolio of projects. The Commission recognizes there are similar

activities across the pilot projects and therefore, for budget purposes, Con Edison relied on proration of costs for certain activities to each individual pilot project. However, as it conducts work on the three pilot projects, Con Edison must track and control engineering design and administrative costs for each project separately. Monitoring and adhering to budgeting controls for each project requires a level of discipline that is important to prudently manage ratepayer funds. Therefore, the Company's request for budget flexibility across the three pilot projects is denied.

National Grid

1. Troy Project

The existing Interim Cost Cap for the Troy Project is \$1.2 million dollars. The National Grid Petition specifies costs it anticipates incurring through Stage 2 that it either had not previously included or has updated since its January 2023 filing on which the Commission based the existing Interim Cost Cap.<sup>12</sup> National Grid requests that the Commission increase the Interim Cost Cap by \$1.2 million, to a total of \$2.4 million.<sup>13</sup>

In its January 2023 filing, National Grid does not segregate costs in the same way as it does in its present

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<sup>12</sup> Case 22-M-0429, UTEN Pilot Proposal NMPC KEDNY January 9 2023 (filed January 10, 2023).

<sup>13</sup> While the National Grid Petition also includes a description of unaccounted activities and costs beyond Stage 2, the scope of this Order is solely focused on determining the appropriate Interim Cost Cap for activities through Stage 2. Accordingly, the Commission will not opine on the updated total Troy Project budget at this time. Rather, as set forth in the Guidance Order, the Commission will consider the total pilot project budget after National Grid makes its Stage 2 filing for the Troy Project, as a factor in determining whether it is in the public interest for the Troy Project to advance to Stage 3 Customer Enrollment and Pilot Project Construction.

petition, which segregates the forecasted costs through Stage 2 into three categories: consultant engineering design, permitting, and internal labor. As such, to assess the request for an increase in the Interim Cost Cap, the Commission must consider the total \$2.4 million forecasted costs across the three cost categories. The total \$2.4 million includes \$1.5 million for consultant engineering design costs, \$0.4 million for internal labor, and \$0.5 million for permitting. Additionally, the National Grid Petition states that these costs include a 40 percent contingency amount. National Grid's current 40 percent contingency amount is an increase from the 22 percent contingency amount it applied to the total project cost in its January 2023 filing.

In its petition, National Grid states that since its January 2023 filing, National Grid has received the final project engineering estimates and schedule from its design consultant and has been able to update costs, including the identification of documents required to apply for permits and to prepare the construction bid proposal. National Grid also identifies additional design-related scope and budget associated with National Grid ownership, design, construction, and operation of the energy center that appear reasonable and support the corresponding adjustment to the costs originally proposed.<sup>14</sup> The Commission finds it reasonable that these project developments would result in potential increased design engineering costs.

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<sup>14</sup> The energy center is the infrastructure that performs functions for the thermal energy network such as pumping the heat transfer medium, controlling fluid chemistry and temperature, and providing makeup fluid and was originally proposed to be owned, designed, constructed, and operated by the Troy Land Development Corporation.

The National Grid Petition also identifies forecasted internal labor costs of \$0.4 million dollars and forecasted permitting costs of \$0.5 million dollars. The Commission recognizes the cost to procure the required permits to advance the pilot project through Stage 2 may not have been fully understood at the time National Grid made its January 2023 filing and generally finds the permitting costs to be a reasonable expense.

In its Supplemental Expenditure Filing, National Grid clarified that it did not include its forecasted internal labor costs, which are incremental to labor currently authorized in its rate plan, in its January 2023 filing.<sup>15</sup> Additionally, National Grid states that its forecasted internal labor costs do not represent the totality of the costs of internal labor supporting the UTEN pilot projects. National Grid uses labor with costs authorized in the current rate plan for functions such as customer and community management, marketing, corporate communications, customer sales and solutions, regulatory and commercial legal, and pricing & revenue requirement/regulatory. According to National Grid, its determination of incremental versus non-incremental labor costs depends on the type of expense activities. National Grid also clarified in its Supplemental Expenditure Filing that the UTEN-related incremental labor requested in the instant petition will cover costs associated with one full-time equivalent employee, a Lead Engineer, and two contractors, an engineer and analyst, which have been hired to perform UTEN-related work across National

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<sup>15</sup> Case 22-M-0429, National Grid Supplemental Expenditure Filing (filed December 4, 2024) (Supplemental Expenditure Filing).

Grid's UTEN Pilots.<sup>16</sup> The Commission recognizes the need for internal labor and associated costs to advance the Troy Project through Stage 2 and finds the internal labor costs are a reasonable expense.

The Commission recognizes National Grid's efforts to update costs through Stage 2, based on project realities, and accepts that some level of increase is warranted based on the unforeseen additional consultant engineering design, internal labor and permitting costs needed to advance the Troy Project beyond a conceptual design to a final engineering design, as required by the Guidance Order. The Commission appreciates the possibility of continued unexpected pilot project developments and design requirements associated with the pilot projects and recognized the need for some level of contingency costs in the Guidance Order. However, the Commission finds that National Grid has not justified a need for an increase in the contingency costs from the 22 percent of budgeted costs it used in its January 2023 filing to the 40 percent it uses in the instant petition.

Specifically, according to National Grid's Supplemental Expenditure Filing, it develops its contingency costs by estimating best practices as stated in the Association for the Advancement of Cost Engineering (AACE) guidelines, which explains that a cost estimate may be categorized by the degree of project definition.<sup>17</sup> National Grid elaborates that projects

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<sup>16</sup> National Grid USA has a total of three active UTEN pilot projects under development, the two projects referenced in the Petition, Troy and Syracuse, in the service territory of Niagara Mohawk Power Corporation d/b/a National Grid, and one in the service territory of The Brooklyn Union Gas Company d/b/a National Grid NY.

<sup>17</sup> AACE International Recommended Practice No. 17R-97; Cost Estimate Classification System; TCM Framework: -15 to + 307.3 - Cost Estimating and Budgeting.

within the 1 to 15 percent design completion range fall within the Class 4 estimate type, for which AACE predicts a -30 percent to +50 percent accuracy range. As of the December 15, 2023 filing, the Troy Project was within the 1 percent to 15 percent design completion range, and National Grid assigned it a 30 percent contingency value. However, according to National Grid's UTEN Monthly Progress and Expenditure Reports, 30 percent of the draft utility loop design was completed as of July,<sup>18</sup> 60 percent was completed as of August,<sup>19</sup> and in September 2024, design of the customer systems began.<sup>20</sup> While the National Grid Petition is silent as to the present project maturity level, the monthly reports and Supplemental Expenditure Filing indicate that the Troy Project design completion level has increased substantially from the 1 to 15 percent range.

While National Grid states in its Supplemental Expenditure Filing that it will conduct a quantitative risk analysis as it further develops the project scope and the design completion level progresses towards 100 percent, it did not complete this analysis in support of its petition. Rather National Grid increased the contingency amount across all cost categories even though the design completion is further along than it was at the time of the January 2023 or December 2023 filings, in which National Grid applied a 22 percent and 30 percent contingency, respectively. While the Commission appreciates the nascency of UTEN design and development for all the utilities, National Grid has not presented any compelling

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<sup>18</sup> Case 22-M-0429, Monthly Progress and Expenditure Report (filed July 15, 2024).

<sup>19</sup> Case 22-M-0429, Monthly Progress and Expenditure Report (filed August 15, 2024).

<sup>20</sup> Case 22-M-0429, Monthly Progress and Expenditure Report (filed September 16, 2024).

evidence to counter the generally accepted practice that as project planning proceeds, project details are better understood and risk is reduced, and therefore the need for a contingency amount, is reduced.

Therefore, the Commission grants National Grid's request to increase the Interim Budget Cap for the Troy Project, the increase will reflect a contingency amount reflecting 22 percent of National Grid's budgets, similar to what National Grid identified in its January 2023 filing. As a result, the Commission sets an Interim Budget Cap of \$2.1 million for National Grid's Troy Project.

## 2. Syracuse Project

In its petition, National Grid did not identify a date it anticipated exhausting the funding currently authorized for the Syracuse Project. Further, according to National Grid's November UTEN Monthly Progress and Expenditure Report, it has only incurred costs of approximately \$3.0 million dollars, which is 45 percent of the current Interim Cost Cap for the project.<sup>21</sup> In its Supplemental Expenditure Filing, National Grid states that, based on projections as of December 4, 2024, National Grid is no longer expecting to overrun the existing \$6.7 million Interim Cost Cap. As such, there is no need to increase the cap and the Commission denies National Grid's request for an increase in the cap for the Syracuse Project.

According to National Grid, the Syracuse Project represents the first phase of a UTEN development proposed to serve the Syracuse Inner Harbor, which is undergoing a significant redevelopment effort. This redevelopment effort includes plans for new construction of an aquarium and a number of other mixed-use, multifamily, and retail buildings that will

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<sup>21</sup> Case 22-M-0429, Monthly Progress and Expenditure Report (filed November 15, 2024).

utilize gas. The Commission recognizes the complexity National Grid faces in aligning timing of the UTEN pilot project development with the broader timing of the Inner Harbor redevelopment efforts. We note that a purpose of the Act is to reduce greenhouse gas emissions, and our prior guidance that UTEN proposals must not include the provision of new natural gas service or installation of new fossil fuel equipment at customers' premises. Accordingly, we direct that National Grid include in its Stage 2 filing details describing how the Syracuse Project comports with the purpose of the Act and the direction in the Commission's Guidance Order. This information will help to inform the Commission's consideration of whether it is in the public interest to advance the Syracuse Project to Stage 3.

#### CONCLUSION

The Commission finds that Con Edison, for its three projects, and National Grid, for its Troy project, have provided sufficient justification for an increase in the Interim Cost Cap, with modification, as discussed in the body of this Order. As described at length in the Guidance Order, the UTEN pilots are intended to produce learnings that will inform the Commission, the utilities, and stakeholders on how thermal energy networks can be best developed and deployed throughout New York State as a means of equitable electrification. However, these learnings must balance the cost to ratepayers. While the Commission is authorizing modest increases in the Interim Cost Caps for these two companies to ensure they can proceed to their Stage 2 filings for these projects, we remain diligent in our effort to require discipline and control in the use of ratepayer funds. Utilities are reminded that all steps should be taken to minimize costs and ensure prudent expenditure

of ratepayer funds in the development of these projects. The Commission will consider overall project economics when it determines which projects are in the public interest and should proceed.

The Commission orders:

1. Consolidated Edison Company of New York, Inc. is authorized to incur a maximum of \$8.3 million of costs for the Chelsea Utility Thermal Energy Network Pilot Project from project inception through finalizing pilot project engineering design and Customer Protection Plan.

2. Consolidated Edison Company of New York, Inc. is authorized to incur a maximum of \$7.7 million of costs for the Rockefeller Center Utility Thermal Energy Network Pilot Project from project inception through finalizing pilot project engineering design and Customer Protection Plan.

3. Consolidated Edison Company of New York, Inc. is authorized to incur a maximum of \$7.1 million of costs for the Mount Vernon Utility Thermal Energy Network Pilot Project from project inception through finalizing pilot project engineering design and Customer Protection Plan.

4. The request of Consolidated Edison Company of New York, Inc. for authorization to shift or reallocate any monies between its Utility Thermal Energy Network Pilot Projects is denied.

5. Niagara Mohawk Power Corporation d/b/a National Grid is authorized to incur a maximum of \$2.1 million of costs for the Troy Utility Thermal Energy Network Pilot Project from project inception through finalizing pilot project engineering design and Customer Protection Plan.

6. The request of Niagara Mohawk Power Corporation d/b/a National Grid for an increase in the maximum amount of

costs it may incur for the Syracuse Utility Thermal Energy Network Pilot Project from project inception through finalizing pilot project engineering design and Customer Protection Plan is denied.

7. In the Secretary's sole discretion, the deadlines set forth in this Order may be extended. Any requests for an extension must be in writing, must include a justification for the extension, and must be filed at least three days prior to the affected deadline.

8. This proceeding is continued.

By the Commission,

(SIGNED)

MICHELLE L. PHILLIPS  
Secretary

<b>Authorized Maximum Costs to be Incurred through Stage 2</b>				
<b>Utility Pilot Project</b>	<b>Estimated Cost of Proposed Pilot Project as of September 14, 2023 (millions)</b>	<b>Previously Authorized Maximum Costs to be Incurred through Stage 2 (millions)</b>	<b>Incremental Costs to be Incurred through Stage 2 (millions)</b>	<b>Total Authorized Maximum Costs to be Incurred through Stage 2 (millions)</b>
<b>Con Edison</b>				
Chelsea	\$91.6 (with prorated portfolio costs)	\$6.2	\$2.1	\$8.3
Mount Vernon	\$77.3 (with prorated portfolio costs)	\$5.1	\$2.0	\$7.1
Rockefeller Center	\$86.4 (with prorated portfolio costs)	\$5.8	\$1.9	\$7.7
<b>National Grid</b>				
Troy	\$12.27	\$1.2	\$0.9	\$2.1
Syracuse	\$66.7	\$6.7	\$0.0	\$6.7