



REV Demonstration Project:

Affordable Multifamily Heat Pump Cost Shift Prevention

AHP-CSP

Q2 2026 Quarterly Progress Report

Dated: July 31, 2026

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1.0 EXECUTIVE SUMMARY

Pursuant to the New York State Public Service Commission’s (Commission) 2015 REV Order,¹ Consolidated Edison Company of New York, Inc. (Con Edison or the Company) submits this second quarter report for 2026 on the progress of the Affordable Multifamily Heat Pump Cost Shift Prevention (AHP-CSP) REV Demonstration Project (the Project). The Company is implementing the Project as part of the Reforming the Energy Vision (REV) proceeding. Concurrent with the filing of this report, the Company has filed confidential budget information for the Project with the Commission’s Records Access Officer.

1.1 Project Background

Con Edison is partnering with L+M Development Partners (L+M) to demonstrate affordable housing decarbonization solutions that will mitigate shifting of costs from property owners to residents when electrifying affordable multifamily buildings (the “cost-shift” issue). L+M is supported by its partner organizations Steven Winter Associates (SWA), Vermont Energy Investment Corporation (VEIC), Cadence OneFive, Ice Air, and ZBF Geothermal.

The Project will investigate and deploy a technical approach to prevent cost shifting in affordable multifamily buildings: a decentralized heat pump system with a power metering switch, which shifts power supply to the owner-paid utility meter during heating season and to the apartment panel during cooling season. This solution avoids shifting heating costs to residents and will utilize existing building infrastructure and minimize the cost of building and utility upgrades. L+M has identified a building with 126 affordable housing units within Con Edison’s service territory to retrofit with this heat pump approach. The demonstration project will also collect data for insights on thermal electrification in affordable multifamily buildings, such as operating costs and potential market revenues. The Project will test existing software platforms to reduce upfront costs for electrification feasibility assessments and streamline project scope development.

1.2 Project Overview

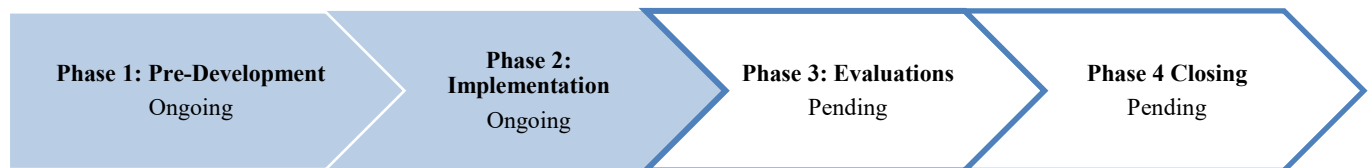
Affordable Multifamily Heat Pump Cost Shift Prevention Project
Table 1 - Project Overview

Project Details	
Launch Date	May 2025

¹ Case 14-M-0101, *Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision*, Order Adopting Regulatory Policy Framework and Implementation Plan (issued February 26, 2015) (REV Order).

End Date	July 2028
Estimated Budget	\$9.2M
Budget Reporting	<i>Filed confidentially</i> Q2 2026 Spend & Cumulative Spend
Demonstration Team	Con Edison L+M Development Partners (L+M) Steven Winter Associates (SWA) Vermont Energy Investment Corporation (VEIC) Cadence OneFive (Cadence) Ice Air ZBF Geothermal

Project Phases & Status



Recent Milestones

In this quarter, the project continued the Pre-Development and Implementation phases and prepared for the Evaluation phase. The primary activities this quarter included:

- Drafting Level 3 assessments for two sites, which detail existing building conditions, projected energy and cost savings, and implementation cost estimates.
- Further assessing centralized and decentralized solution feasibility for one site, on which the Demonstration team ultimately decided not to pursue implementation (see Lessons Learned for further detail).
- Compiling programmatic takeaways for scalability of chosen technical approaches.
- Preparing resident engagement materials for pre-retrofit surveys and outreach.

Upcoming Milestones

In Q3 2026, the Demonstration team will complete pre-development phase work by finalizing Level 3 assessments for two demonstration sites, finalizing and releasing requests for proposals (RFP) scope of work to installation subcontractors, documenting scalability of

chosen approaches in a memo, and completing the financial analysis and business cases for the demonstration sites. The Demonstration team will proceed with resident engagement, build out and installation preparation activities, and completion of the M&V plan.

2.0 QUARTERLY PROGRESS

2.1 Key Milestones and Progress

The Demonstration Team continued activities in the Pre-Development and Implementation phases. Activities and progress for each workstream this quarter are shown in Table 2.

Table 2 - Quarterly Progress by Workstream

Workstream	Activities
Workstream 4 Project Scoping	- Completed Level 3 assessment for Site 4 (decentralized system). Deliverable will be finalized when service upgrade timeline is confirmed by Con Edison. - Completed Level 3 draft assessment for centralized site (Site 3), including analysis for both a decentralized and a centralized solution. - Drafted RFP scope to be utilized for subcontractors. - Drafted memo on scalability of technical approaches.
Workstream 5 Secure Project Funding and Financing	- Completed screening of lender consent requirements. - Incentive and subsidy eligibility screenings currently underway. - Financial analysis and business case development for decentralized building in progress – to be provided to ownership stakeholders.
Workstream 6 Resident Engagement and Evaluation	- Finalized pre-retrofit and post-retrofit resident surveys. - Drafted resident outreach flyer. - Completed pre-retrofit survey programming in Qualtrics web platform.

2.2 Lessons Learned and Recommendations

During this quarter, the Demonstration Team identified key takeaways that were relevant to the execution of this demonstration and larger market implications.

1. Meter Switch Solution – Reduced Wiring and Apartment Work

The Demonstration team identified new approaches to the implementation of the meter switching in the decentralized solution related to location and wiring configuration of the switches. The new approaches identified during the engineering phase may help with market adoption by reducing overall cost, construction complexity, and resident disruption. The new approach is expected to minimize the amount of electric wiring work required in the apartments and enable building staff to switch all PTHPs in the building between the house electric meter and apartment meters from a remote switch simultaneously at the start of the heating/cooling season.

The original proposed power metering switch would be located at each individual PTHP within an apartment and route power to the heat pump from either the house or apartment panel depending on the operating mode of the unit (apartment panel for cooling mode, house panel for heating mode). This approach would require more meter switches and more in-apartment wiring work, as a new house meter circuit would have to run from the basement to each individual PTHP. Running new wires to each PTHP would be costly and invasive.

The new approach substitutes the PTHP-located Heat Switch with a single power relay in each apartment. A new power relay will function as the meter switch. Each apartment will receive a single device that will be installed near the load center. New circuits from the house meter will be run from the basement to the load centers in each apartment (but crucially not all the way to each PTHP). The switch will connect the house panel circuit and PTHP circuit that currently runs from the load center to each PTHP. All electrical connections will occur at the load center, and running new wires from the load center to each PTHP can be avoided.

The meter switches will control power flow to each PTHP based on a set of centrally located controls that are operated by building staff. At each seasonal change, building staff will toggle the controls to route power to the PTHPs either from the house panel or from the apartment panel depending on the season. Since the switches are simple power relays, there is no digital control interface to configure or manage. The switches are electromechanically interlocked to the central controls.

2. Centralized System and Decentralized System Analysis Takeaways

The Demonstration team identified several takeaways after conducting a building screening across the full L+M portfolio, Level 2 assessments at six sites, and Level 3 assessments at two sites. The results of the Level 3 assessment on Site 3 indicate that a centralized system would result in increased operating costs for ownership, making it financially not viable. Due to this result, the Demonstration team made the decision not to proceed with a centralized system and will move forward with only Site 4 as a decentralized system. The Demonstration team will finalize Level 3 assessments for Site 3

to document technical and financial findings and lessons learned. The assessments yielded the following lessons related to the financial viability of the proposed solutions:

- Decentralized air-source heat pump approach outperformed centralized solutions at Site 3 from a utility cost, capital expense, and maintenance cost perspective.
- The building owner's ability to recoup the costs associated with operating a centralized system through demand response revenues was found to be limited at Site 3 because some of the energy costs associated with cooling remained on the resident meter.
- Centralized air to water heat pumps (AWHP) may be viable for a subset of buildings, particularly where cooling costs can be more fully allocated to ownership or addressed through a utility allowance adjustment executed as part of a new regulatory agreement. The best candidates are buildings with existing hydronic distribution that minimizes in-unit interventions and supports centralized control.

3.0 NEXT QUARTER FORECAST

3.1 Planned Activities

In Q3 2026, the Demonstration Team will complete Pre-Development activities by finalizing Level 3 assessments for demonstration sites, developing and finalizing RFP Scope of Work, and completing a memo on the scalability of the technical approach. The Demonstration Team will proceed with resident engagement activities and commence the Build Out workstream by releasing RFPs for installation subcontractors. Financing Final Reports and the M&V plan will also be completed for the confirmed demonstration site.

Milestones forecasted for completion in Q3 2026 include:

- Milestone B – Pre-Development Phase Closeout
 - Once Level 3 assessments, RFP scope of work and bid solicitation, financial analysis and scalability memo are finalized, the pre-development phase will be complete.
- Milestone D - Secure project financing and funding
 - Milestone was initially scheduled to be completed in Q2 2026; however, completion is dependent on Level 3 assessments expected to be finalized in Q3 2026

Table 3 - Key Activities for Workstreams in Q3 2026

Workstream	Activities
Workstream 4 Project Scoping	• Complete Level 3 assessments for Site 3 (centralized) and Site 4 (decentralized) • Finalize RFP Scope of Work for subcontractors/specialists for demonstration sites. • Complete memo on scalability of technical approach
Workstream 5 Secure Project Funding and Financing	• Submit incentive application based on energy efficiency/building electrification program eligibility. • Complete financial analysis and business case development for Site 3 and Site 4
Workstream 6 Resident Engagement and Evaluation	• Prepare for launch of resident engagement pre-retrofit survey including survey translation, final web programming (survey launch anticipated early Q4 2026). • Finalize resident outreach materials and prepare for dissemination in early Q4 2026.

	• Begin developing resident education materials (resident education anticipated late Q4 2026/early Q1 2027).
Workstream 7 Build Out	• Continue RFP process for any required subcontractors and/or specialists. • Develop construction schedule. • Begin project engineering and design.
Workstream 9 Micro Evaluation	• Incorporate site specific information into M&V plan and complete draft M&V plan
Workstream 10 Macro Evaluation	• Incorporate site specific information into M&V plan and complete draft M&V plan
Workstream 11 Financial and Operations Evaluation	• Incorporate site specific information into M&V plan and complete draft M&V plan

4.0 APPENDICES

The following appendices are included at the end of this Quarterly Progress Report:

Appendix A: Description of Phases

Appendix B: Work Plan

Appendix C: Checkpoints and Milestone Progress

Appendix D: Procedures and Policies

Appendix A: Description of Phases

Phase	Pre-Development	Implementation	Evaluation	Closing
Milestone (Stage Gate to Next Phase)	<i>Successful building identification and project scoping</i> • Program launch • Site Screening Criteria • Project Scoping • Stakeholder Engagement	<i>Construction Completion</i> • Secure Project Financing and Funding • Resident Engagement • Construction Completion • Other stakeholder Engagement	<i>Evaluation reporting for one year post installation</i> • Micro Evaluation (Equipment Level) • Macro Evaluation (Building Level) • Financial and Operations Evaluation	<i>Project closeout</i> • Market Assessment • Final Report • Final Presentation
Key Elements	• Kickoff meeting • Development of site screening criteria • Screening of L+M portfolio • Stakeholder meetings and incorporation of feedback • Engineering assessments • Selection of final demo sites • RFPs for installation subcontractors	• Application for applicable incentives • Review third-party financing packages and/or bridge loans • Resident education and surveys pre- and post-installation • Contract with subcontractors • Finalize project engineering and design • Electrical service upgrades • Heat pump installation • O&M manual development	• Install M&V equipment • Gather relevant data for equipment level evaluation • Validate functionality of metering switch technology • Gather utility consumption and cost data • Operational staff surveys	• Integrate findings from all phases into market assessment tool • Compare pre- and post-installation results • Update the software Platform with capabilities to support consumer and market acceptance of project approach • Assessment of Con Edison service territory • Insight of potential energy savings impact of metering switches

Phase	Pre-Development	Implementation	Evaluation	Closing
		• Additional stakeholder engagement		• Identify recommended utility incentives

Appendix B: Work Plan

Phase	Workstream	Q2'25	Q3'25	Q4'25	Q1'26	Q2'26	Q3'26	Q4'26	Q1'27	Q2'27	Q3'27	Q4'27	Q1'28	Q2'28	Q3'28
1. Pre-Development			A				B								
	1. Program Launch														
	2. Site Screening Criteria														
	3. Stakeholder Engagement														
	4. Project Scoping														
2. Implementation					E		D	F	G	H, J					
	5. Secure Project Financing and Funding														
	6. Resident Engagement and Evaluation														
	7. Build Out														
	8. Stakeholder Engagement														
3. Evaluations				C					I					K	
	9. Micro Evaluation														
	10. Macro Evaluation														
	11. Financial and Operations Evaluation														
4. Closing												L			M
	12. Market Analysis														
	13. Final Report and Summary Presentation														

Milestone	Description	Milestone	Description
A	Program Launch, Site Screening Criteria	G	Construction Quarterly Payments
B	Pre-Development Phase Closeout	H	Construction Quarterly Payments
C	Evaluation Launch	I	Micro & Macro Evaluation Midterm
D	Secure Project Financing & Funding,	J	Implementation Phase Closeout
E	Resident Engagement Launch	K	Evaluations Phase Closeout
F	Construction Quarterly Payments	L	Closing Phase Closeout

Appendix C: Checkpoints and Milestone Progress

Timing	Checkpoint/Milestone	Status
Phase 1 End	Suitability of sites for further project scoping	
Phase 1 End	Engineering studies resulting in accurate assessment of the technical and financial viability of projects	
Phase 2 End	Funding for the project based on initial project budgeting has been secured	

Legend

 On Schedule/Completed	 Delayed without Major Impact	 Delayed or Stopped – Project Goals Impacted
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Planned Activities

Phase 1: Pre-Development

Site Screening

Status: **Green**

Expected Target by Pre-Development Phase End: At least 10 buildings have been identified as suitable Project participants.

Actual by Pre-Development End: N/A

Solutions/strategies in case of results below expectations: The Demonstration team will review the inputs to the characterization assessment.

Project Scoping

Status: **Yellow**

Expected Target by Pre-Development End: At least two sites (one for each test scenario) will be identified as viable sites with initial project budgeting in line with Demonstration Team's expectations for implementation and financial viability.

Actual by Pre-Development Phase End: Site 3 (centralized solution) and Site 4 (decentralized solution) were identified as technically viable. Site 3 was determined to be

not financially viable in 2026 Q2. Site 4 has been identified as a viable site with initial project budgeting in line on a per-unit basis.

Solutions/strategies in case of results below expectations: The Demonstration team evaluated converting Site 3 to a second decentralized site for additional data but ultimately did not move forward with this alternative. The Demonstration team did not find alternative approaches that could make the centralized system financially viable at this site. The project will proceed with one site.

Phase 2: Implementation

Secure Project Financing and Funding

Status: Yellow

Expected Target by Implementation Phase End: At least two sites will secure the required funding to move forward in the Implementation Phase of the Project.

Actual by Implementation Phase End: Site 3 was determined to be not financially viable. The Demonstration team is currently working to secure required funding for the Implementation Phase of the Project.

Solutions/strategies in case of results below expectations: N/A

Appendix D: Procedures and Policies

Cybersecurity and Personally-Identifiable Information Protection

Consistent with Commission policy related to cybersecurity and the protection of personally-identifiable information (“PII”), each partner agreement executed for the implementation of the Project includes specific protections related to cybersecurity and PII. This protection is critical in encouraging customers to sign up with new and innovative services offered by utilities.

Accounting Procedure Established

On February 16, 2016, in Case 15-E-0229, Con Edison filed an accounting procedure for the accounting and recovery of all REV demonstration project costs.² This accounting procedure establishes a standardized framework that will govern how the Company categorizes and allocates the costs of the REV demonstration projects, and will facilitate analyzing each project to determine the overall financial benefits of the program to customers.

Costs, Benefits, and Operational Savings

Budget information for all of the Company’s REV demonstration projects is being filed confidentially with the Commission, concurrently with the filing of this document. All costs filed are incremental costs needed to implement the project. To date, no tax credits or grants have been available to reduce the net costs of the projects, but Con Edison will take advantage of such offsetting benefits when they are available. There are no operational savings to report at this time.

² Case 15-E-0229, *Petition of Consolidated Edison Company of New York, Inc. for Implementation of Projects and Programs that Support Reforming the Energy Vision*, REV Demonstration Projects General Accounting Procedure (filed February 16, 2016).