Q. Please state your name and business address.

A. My name is Vincent Badali and my business address is Consolidated Edison Company of New York, Inc. ("Con Edison"), 4 Irving Place, New York, NY 10003.

Q. What is your present title at Con Edison?

A. I am the Section Manager of Steam Operations' Business Development group.

Q. What is your educational and professional background?

A. I graduated from New York Polytechnic Institute with Bachelor and Master of Science Degrees in Civil Engineering. I joined Con Edison in 1978 and held various management positions of increasing responsibility in the Steam Engineering Bureau. I joined Trigen Energy Corporation in 1995 as Director of Distribution and Engineering. I joined Johnson Controls in 2005 as Manager of Engineering for the Trigen account. I returned to Con Edison in 2007 and assumed my present position of Section Manager of the Steam Business Development ("SBD") group.

Q. Please describe your current responsibilities in the SBD group.

A. I am the Section Manager of Con Edison's SBD group, which is responsible for attracting and retaining steam business for Con Edison.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to discuss: (1) the status of Con Edison's Steam Business Development's attraction and retention efforts; (2) the steam energy efficiency program; (3) proposed tariff changes; and (4) enhancements to the Customer Care & Billing System.

STATUS OF STEAM BUSINESS DEVELOPMENT

Q. Please describe Con Edison's SBD attraction and retention efforts.

A. Over the past two years, SBD has continued to: develop and implement a sales and marketing program to acquire new accounts, develop the value of our existing accounts, and retain valuable accounts against rivals. This robust program for attracting and retaining steam customers includes:

- An experienced staff of marketing, technical, and financial experts that is actively improving relationships with major steam customers and looking for opportunities to attract new business and retain existing business.
- Information technologies that have been employed to support the business development efforts, including an account management system and a mapping and locational analysis tool.

- Strong business relationships that have been developed with key stakeholders through the assignment of account managers to each major customer and a continuing program of face-to-face customer contacts. As part of this program, several seminars and conferences have been held to provide information to our major customers and their representatives.
- A marketing communications program that supports the business development efforts. This includes promotional brochures, a Web site with interactive features for customers, a program to promote the environmental benefits of district steam, and print advertisements in selected trade publications.
- A targeted marketing effort to identify potential steam business leads and lost business risks; meetings with customers, developers, and consulting engineers; and providing cost/benefit analyses to customers and their key decision makers. The results of the attraction and retention program in 2008 were 18 new customers, which represent 6.5 million square feet and 300 MMlb of projected sales, the largest connected load since 1996.
- Vortex meters, which have been installed at approximately 700 customer locations, replacing shunt flow meters. The vortex meters allow customers to connect to their building management system, track

their own usage patterns, and gain better control over their steam usage.

Q. What steam business opportunities does the Company have as a result of the SBD measures described?

A. We currently have 35 new business projects representing approximately 450,000 Mlb of additional annual sales committed to the steam system over the period July 1, 2009 to June 30, 2012 (which are included in the steam sales forecast), and we are working on other new business opportunities. The SBD group is working on turning these opportunities into commitments by maintaining good relationships with engineers, architects, developers, vendors, and other energy decision makers, and providing them with information on the availability of service, pricing, and the benefits of district steam.

Q. How have you gauged the success of your programs?

A. We have received feedback through a few avenues, including:

- The results of satisfaction surveys of customers who contact Con Edison, which are distributed to Department of Public Service ("DPS") Staff, indicate a high level of customer satisfaction with the service they receive. Those who are satisfied overall report that Con Edison responded quickly and resolved their service issues, that their telephone representative knowledgeably

handled their issue, and that their representative was helpful and attentive.

- In focus group sessions conducted with architects, engineers, developers, and chief engineers, the Company has received favorable ratings in customer service and emergency response. A report on the focus group sessions was filed on June 29, 2009 with DPS staff.

Q. What has the Company done to promote the environmental benefits of the steam system?

A. Given the Federal, State, and City government focus on environmental issues, we have made significant efforts to support a strong environmental communications campaign for steam. The following are some examples of the Company's efforts in this area.

- In June 2009, Con Edison Steam was presented with the Environmental Protection Agency's 2009 Energy Star CHP Award for the East River Repowering Project for its outstanding pollution reduction and energy efficiency. The use of cogeneration for producing steam is a key message in our environmental campaign.
- As part of our campaign, Con Edison provides customers with educational materials and assists them in gaining Leadership in Energy and Environmental Design ("LEED") /Energy Star certification. The Company has worked with the Environmental Protection Agency, the U.S. Green Buildings Council, the New York City Office of

Long Term Sustainability, the International District Energy Association, and customers to gain greater recognition of co-generated district steam as a green energy source.

Q. What are the challenges that Con Edison faces in its attraction and retention efforts?

A. There are several issues to be addressed as Con Edison moves forward with its attraction and retention program. The first involves steam cooling. Attracting and retaining steam cooling load has benefits for both the steam system (improved load factor) and the electric system (peak load reduction). There is currently about 580,000 tons of steam cooling equipment connected, offsetting approximately 350 MW of peak electric load. Because of the cost differentials in capital and operating costs favoring electric air conditioning equipment, major steam customers have been converting from steam to electric cooling when their steam cooling equipment reaches end of life. There has been a reduction in 45,000 tons of steam cooling over the past seven years. No new major commercial or residential buildings have installed steam cooling over that same timeframe. (One major hospital did install steam cooling equipment in a new building two years ago.) Without adequate incentives, we foresee an acceleration in the loss of steam air conditioning

load. This loss of steam air conditioning load is also addressed in the sales forecast testimony of the Forecasting Panel.

Q. What has the Company done to address this issue?

A. Over the past several years, Con Edison has worked with the New York State Energy Research and Development Authority ("NYSERDA") to retain steam cooling load. Through the use of NYSERDA incentives to offset capital cost differentials and Con Edison rate discounts to offset operating cost differentials, approximately 100,000 tons of steam cooling have been retained since 2002. However, NYSERDA's peak load reduction program for steam cooling expired March 1, 2009 and there are currently no incentives available to offset the capital cost differential for steam cooling equipment. To replace the former NYSERDA program, a steam cooling program was one of eight efficiency programs submitted in Con Edison's September 22, 2008 Case 08-E-1007 filing in the Energy Efficiency Portfolio Standards ("EEPS") proceeding. The Con Edison filing provides enhancements to the former NYSERDA program, such as elimination of the project cap. If approved, this program will assist in the attraction and retention of steam cooling customers.

In addition, for several years, we have been discussing with the New York City Economic Development Corporation

("NYCEDC") the implementation of an Energy Cost Savings Program ("ECSP") for steam cooling. This would help reduce customer operating costs for steam cooling. We are asking the NYCEDC to move forward on this proposal.

Q. Are there any other challenges to the steam attraction and retention efforts?

A. Yes. Another issue is the tax burden on steam customers. For example, the cost of Con Edison steam includes a tax that is not part of the cost structure for on-site boilers. The current 4.5% boiler fuel sales and use tax on electric and steam generators and the New York City Gross Receipts Tax on steam revenues (as opposed to net income) are particularly burdensome. Reduction and/or elimination of these taxes would help stabilize steam costs to customers. The Company has continuously stressed the repeal of the sales and use tax on boiler fuel and has met many times with New York City officials over the past several years in an attempt to repeal this tax. The Company has drafted proposed legislation to repeal the sales and use tax on boiler fuel and worked with the other NYC generator owners in an attempt to get the legislation passed. However, this legislation has been met with continued opposition from NYC. The sales and use tax on boiler fuel is particularly regressive since the higher the fuel costs the more tax is paid. In effect, the tax

revenues are compounded on top of inflation. On an annual basis, steam customers are billed more than $12 million due to this tax alone. Moreover, this tax is then subject to the NYC gross receipts tax, resulting in an additional customer charge due to this tax on tax effect.

Another issue is the use of City and State financial incentives by customers to install on-site generation and leave the steam system. For example, a major residential customer left the steam system using NYSERDA funding for an engineering study and a NYSERDA low interest loan to fund the installation of boilers. In another example, a major New York City residential property will be using NYPA funding to install on-site boilers and leave the steam system. Over the past several years, the Company has communicated to NYSERDA the need for a mechanism that prohibits this type of government funding that provides an incentive to customers to leave the Con Edison steam system. At minimum, Con Edison should be informed expeditiously of studies and applications from steam customers who are considering on-site boiler installations. This would provide Con Edison with the opportunity to interact with the customer to find the optimal solution to their heating and cooling needs.

STEAM ENERGY EFFICIENCY PROGRAM

Q. What is the Company's policy related to steam energy efficiency and demand reduction?

A. The Company believes that cost-effective energy efficiency and demand reduction programs for steam can provide for customers' needs; are in line with Federal, State, and City efficiency goals; and can provide important environmental benefits. These programs can help reduce fossil-fuel generation emissions, such as CO_2, which contributes to global warming, nitrogen oxides, which contribute to smog, and SO_2, which contributes to the formation of acid rain.

Q. What energy efficiency efforts has Con Edison undertaken to date?

A. Throughout 2006 and 2007, Con Edison retained a building energy systems consultant to perform audits at 30 steam customer locations. The purpose of these audits was to provide site-specific recommendations for potential improvement in steam usage and demand at these facilities and to prepare a "Best Practices" report for all steam customers. The steam audits identified a broad spectrum of steam energy efficiency measures, which were compiled and summarized in the Best Practices report that is available to customers on the Company's Web site.

In early 2009, a market potential study was conducted that prioritized the appropriate steam efficiency

measures to be recommended to customers. In the study, a metric called the "Uptake Potential" was developed, which estimated the percentage of customers that can practically adopt any given measure. The educational program will use this metric to rank energy efficiency measures in terms of their potential for implementation and promote those measures to the appropriate audience. The market potential study segmented steam customers by service classification - SC-1 (small users), SC-2 (large commercial) and SC-3 (large residential). In addition, in April 2009, Con Edison retained an independent research consultant to conduct three focus groups that included SC-2 and SC-3 steam customers and other key stakeholders. The purpose of the sessions was to elicit participants' perceptions of Con Edison's steam service. The major issues for the participants were the cost of steam service, environmental considerations in their energy-choice decisions, and the need for increased energy efficiency measures.

Q. What energy efficiency program are you implementing?

A. As part of its commitment in the current Steam Rate Plan, Con Edison launched an Energy Efficiency Educational Program on October 1, 2009. The primary objective of the program is to raise the levels of awareness and knowledge about the measures that Con Edison steam customers can take to reduce the

consumption of steam for heating, hot water, cooling, and other uses in their facilities. Some of these measures include insulation of steam piping, valves, and fittings, condensate heat recovery and management, repair of steam leaks, building envelope improvements, thermostatic radiator valves, and management and operational changes. Reminding customers of various efficiency measures with short pay-back periods is a low cost method of reducing steam consumption. Another objective of the program is to reach opinion leaders in the business community, news media, academia, government, and local communities on the importance of energy efficiency and how it relates to the steam system.

Q. What is the cost of this efficiency campaign?

A. The rates established in the current Steam Rate Plan reflect $100,000 to cover the cost of (1) program development and administration, and (2) a market potential analysis. The administration of the program is being handled by members of the SBD staff, along with support organizations at Con Edison.

Q. Does the Company have a financial disincentive to implement this program and/or other energy efficiency programs?

A. Potentially, yes. However, the Company strongly supports the aggressive promotion of energy efficiency

for all aspects of its business. The long-term viability of the steam system is enhanced as customers conserve, thereby delaying and minimizing the need for investment in production and infrastructure. In addition, as described in the testimony of Company witness Muccilo, the Company is proposing a Steam Revenue Adjustment Mechanism ("SRAM") to eliminate any potential financial disincentive the Company may have to implement an energy efficiency program.

TARIFF CHANGES

Q. Is the Company proposing any modifications to its Steam Tariff?

A. The Company implemented demand billing commencing November 1, 2007, for SC-2 and SC-3 customers with annual usage equal to or greater than 22,000 Mlb. Current demand billed customers will remain on the demand billing tariff rate until such time as their annual usage falls below 14,000 Mlb, as stated in the current SC-2 and SC-3 tariffs. As described in the Commission's September 22, 2008 Order Establishing Rate Plan in case 07-S-1315, customers with annual usage less than 22,000 Mlb and greater than 14,000 Mlb will be sample billed during the 2009-2010 winter period, with actual demand billing for these customers being implemented in the following rate year, 2010-2011.

Based on winter billing data available from the demand meters in place, the Company will design winter peak demand rates that will be effective for the 2010-2011 winter demand period for the demand billed customer classes (i.e., SC-2 and SC-3 customers with annual usage of less than 22,000 Mlb but equal to or greater than 14,000 Mlb and SC-2 and SC-3 customers with annual usage equal to or greater than 22,000 Mlb). The winter rates for all demand billed customers will be designed to yield the same winter period revenues from the customers within each service class as the proposed revenues that would be collected at the rates effective. Customers will remain on the demand rate until their annual usage ending August drops below 12,000 Mlb.

Q. Why are you proposing that there be a threshold below 14,000 Mlb when an account will be switched from the SC-2 or SC-3 demand rate to the SC-2 or SC-3 non-demand rate?

A. Since the demand class will now include customers with annual consumption down to 14,000 Mlb, the Company is proposing this lower threshold in order to minimize customers moving between rate classes due to relatively minor variations in annual steam consumption. The influence of weather fluctuation, particularly during the heating season, as well as incidental or temporary

operational changes within the building, are among the factors that the threshold is intended to consider.

Q. What is the basis for the 12,000 Mlb threshold?

A. We analyzed the SC-2 and SC-3 customers (169 in total) whose annual use was between 14,000 and 22,000 Mlb during a twelve month period ending either August 2008 or August 2009 or both. Forty seven of those customers exceeded 14,000 Mlb in one of the periods and fell below 14,000 Mlb in the other. Of these forty seven customers, thirty eight had not performed any significant equipment replacement, building renovations or other changes that would affect their usage during the 24-month period. We therefore believe that the average annual difference in usage for this group of customers, approximately 2,000 Mlb, represents a differential that is normal variation. The Company is therefore proposing to implement a 12,000 Mlb threshold.

Q. Is the Company proposing any other modifications to its Steam Tariff?

A. Yes. The Company is proposing tariff changes to extend the period for accepting applications from SC-2 and SC-3 customers installing a new or replacement steam air-conditioning system under the current air-conditioning incentive program. This program provides a $2.00 per Mlb discount off base rates for steam used in excess of

the first 250 Mlb for SC-2 and in excess of the first 50 Mlb for SC-3 in each monthly billing period during the summer months of May to October. The proposed extension is through September 30, 2011. In the context of a multi-year plan, we would provide a further extension through the last day of the rate plan. This extension will enhance the Company's ability to promote steam air conditioning.

One other proposed tariff modification is to amend the Special Services at Stipulated Rates provision to charge customers for each temporary disconnection and reconnection of service performed by the Company at the Customer's request. Currently, there is no charge to customers for one temporary disconnection and one reconnection performed at the steam customer's request in a 12-month period. Implementation of this charge will better align customer responsibility for costs associated with these special services. As specified in the current tariff, the charge will be $315.00 for a disconnection or reconnection during Business Hours and $356.00 for a disconnection or reconnection begun or completed After Hours.

CUSTOMER SERVICE ENHANCEMENTS

Q. What customer service enhancements are planned for steam customers?

A. At focus groups conducted in April 2009, the Company's steam customers indicated that having access to more online steam billing information and options are priorities for them. Specifically, customers indicated that they would like to have access to expanded online billing information, self-service options and payment options. Presently, steam customers do not have the option of online payments that our electric and gas customers have. Thus, in order to provide customers with these online billing capabilities, the steam customer service website needs to be modified. These modifications will provide steam customers with several options for efficiently paying their bills online, the ability to access key customer information and resolve billing-related problems. Overall, these modifications will provide steam customers with on-line services they have requested, meet their future evolving needs and provide a higher level of service. It will provide a flexible platform for future developments. These factors are critical in the retention of our steam customers.

Q. What is the cost associated with these modifications?

A. The associated capital costs are $200,000 in the 2010 rate year and $100,000 in the 2011 rate year. The majority of the costs will go towards replacement of obsolete servers. Software products will also be

purchased to advance the services provided to steam customers. The operating and maintenance costs are projected to be $100,000 which represents a dedicated resource to supervise the system, resolve business issues and deploy enhancements as previously stated.

Q. What is the timeline to complete these modifications?

A. These modifications will be completed in the 2010 rate year.

Q. Does this conclude your initial testimony?

A. Yes, it does.