

**STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION**

Case 04-E-0572

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**

December 2, 2004

## TABLE OF CONTENTS

Procedural Setting.....	1
Overall Framework.....	3
A. Term.....	3
B. Electric Rates and Revenue Levels.....	4
1. Rate Level.....	4
2. Sales Forecast.....	5
3. Market Supply Charge and Monthly Adjustment Clause.....	5
4. State Income Taxes.....	7
5. Low Income Program.....	7
C. Computation And Disposition of Earnings.....	9
D. Reconciliations.....	10
1. Property Taxes.....	10
2. Interference (Other Than Company Labor).....	10
3. Transmission and Distribution Capital Expenditures.....	11
4. Production Plant Expenditures.....	12
5. Pensions/OPEBs.....	13
6. Environmental Remediation.....	14
7. Stray Voltage.....	14
8. Additional Reconciliation/Deferral Provisions.....	15
9. Limitations on Deferrals.....	15
E. Additional Rate Provisions.....	16
1. Depreciation Rates and Reserves.....	16
2. Interest on Deferred Costs.....	16
3. Allocation of Common Expenses/Plant.....	17
4. Property Tax Refunds and Credits.....	17
5. Sale of First Avenue Properties.....	17
6. East River Repowering Project.....	18
F. Retail Access Program.....	18
1. Purchase of Accounts Receivable.....	18

a.	Discount Rate.....	19
b.	Implementation Costs .....	22
c.	Disconnection of Service .....	22
d.	Charge Back.....	23
e.	Billing Options.....	23
2.	Retail Marketing Program.....	24
3.	Market Match and Market Expo Programs.....	26
a.	Market Match Program .....	26
b.	Market Expo Program.....	27
4.	Competition Outreach and Education and Promotional Funding .....	27
a.	Funding .....	28
b.	Timing.....	28
c.	RCP Program .....	28
5.	Migration Incentive.....	29
a.	Definitions.....	29
b.	Threshold .....	30
d.	Eligibility .....	30
e.	Incentive Amount.....	31
f.	Timing of Incentive Recovery .....	31
g.	Recovery of Incentives .....	31
6.	ESCO/Marketer Ombudsman .....	31
7.	ESCO Satisfaction Survey .....	32
8.	Competition Awareness and Understanding Survey .....	32
9.	Retail Access Report.....	33
a.	Competition Outreach and Education.....	33
b.	RCP Program .....	33
c.	Migration Data.....	33
10.	Bill Format.....	34
11.	Metering Initiatives.....	35
12.	Retail Auction Pilot Program.....	35
13.	Customer Interaction.....	36

14. Green Power.....	36
G. Reliability Performance Mechanism.....	36
1. Operation of Mechanism.....	36
2. Exclusions.....	37
3. Reporting.....	38
4. Threshold Standards.....	38
a. System-Wide Performance Target – CAIDI.....	39
b. System-Wide Performance Target – SAIFI.....	39
5. Major Outages.....	40
6. Program Standards.....	41
a. Pole Repair.....	41
i) Definitions.....	41
ii) Performance Requirements.....	42
iii) Storm Exclusion.....	43
iv) Extraordinary Circumstances Exception.....	43
v) Reporting.....	43
b. Shunt Removal.....	44
i) Definitions.....	44
ii) Performance Requirements.....	45
iii) Extraordinary Circumstances Exception.....	46
iv) Reporting.....	46
c. No Current Street Lights and Traffic Signals.....	46
i) Definitions.....	46
ii) Performance Requirements.....	47
iii) Extraordinary Circumstances Exception.....	48
iv) Reporting.....	48
d. Over-Duty Circuit Breakers.....	49
i) Performance Requirements.....	49
ii) Selection and Prioritization of Replacements.....	49
iii) Extraordinary Circumstances Exception.....	50
iv) Reporting.....	50
v) Fault Current Review Study.....	51

vi)	Technology Research and Development and Demonstration Projects .....	52
H.	Compliance with Environmental, Health, and Safety Policy .....	52
I.	Customer Service Issues .....	53
1.	Customer Service Performance Mechanism .....	53
a.	Operation of Mechanism.....	53
b.	Exclusions .....	53
c.	Reporting.....	55
d.	Threshold Standards.....	55
2.	Outreach and Education.....	59
3.	Streetlights .....	59
a.	NYC Street Light Billing System .....	59
b.	Street Light Burning Hours.....	60
c.	New Street Lights Service Initiation.....	60
d.	Streetlight Task Force .....	61
J.	Demand Management .....	61
1.	Demand Management Goals.....	61
a.	System Benefits Charge Programs.....	62
b.	Targeted Energy Efficiency/Distributed Generation .....	62
c.	Distributed Generation.....	62
d.	System-Wide Energy Efficiency/Distributed Generation/ Load Management Program.....	63
e.	Incentive.....	63
2.	Action Plan.....	63
3.	Targeted Energy Efficiency/Distributed Generation .....	65
4.	Distributed Generation.....	67
5.	System-Wide Demand Management Programs .....	69
6.	Generally Applicable Commitments.....	70
7.	Cost Recovery .....	71
8.	Incentive Mechanism.....	71
K.	System Reliability Assurance .....	72
1.	Scope of Study .....	72

2.	Jurisdictional Setting.....	74
3.	Preparation and Input.....	74
4.	Timing.....	74
5.	Interplay of Con Edison’s Obligations .....	75
L.	Revenue Allocation.....	76
1.	Step 1: Rate Realignment.....	76
2.	Step 2: Allocation of Base Rate Increase.....	76
3.	Step 3: Allocation of Rate Moderators .....	76
4.	Step 4: Total Class Increase.....	77
5.	Step 5: Development of Transmission and Distribution Rate Increases for Con Edison Classes .....	77
6.	Other .....	77
M.	Rate Design.....	78
1.	General Delivery Service.....	78
2.	PASNY No. 4 Rates.....	79
3.	EDDS No. 2 Rates .....	80
4.	Con Edison P.S.C. No. 9 – Electricity and P.S.C. No. 2 – Retail Access Rates .....	80
5.	Direct Current Service Charges .....	82
6.	Delivery Service for Additional NYPA Customers.....	83
7.	Miscellaneous Changes.....	83
a.	Applicability of Standby Service Charges.....	83
b.	Tariff Changes .....	83
8.	Business Incentive Rate Program .....	85
N.	Miscellaneous Provisions.....	87
1.	NYPA Billing System.....	87
2.	Rate Changes .....	87
3.	Legislative, Regulatory and Related Actions.....	88
4.	Provisions Not Separable.....	89
5.	Provisions Not Precedent.....	90
6.	Submission of Proposal .....	90

7. Effect of Commission Approval .....	90
8. Further Assurances.....	91
9. Execution .....	91
Appendix A	Revenue Requirement
Appendix B	Customers Credits and Debits
Appendix C	Sales Forecast
Appendix D	Revisions to MAC/MSC Tariffs
Appendix E	Exemption from MAC Charges
Appendix F	Expense Reconciliation Targets
Appendix G	Capital Reconciliation Targets
Appendix H	Depreciation Rates
Appendix I	Common Allocation Factors
Appendix J	Migration Incentive Examples
Appendix K	Secondary Network List
Appendix L	Customer Service Performance Mechanism Incentive Targets
Appendix M	Revenue Allocation

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Consolidated Edison Company of New York, Inc.  
For Electric Service.

**JOINT PROPOSAL**

THIS JOINT PROPOSAL (“Proposal”) is made the 2d day of December, 2004, by and among Consolidated Edison Company of New York, Inc. (“Con Edison” or the “Company”), New York State Department of Public Service Staff (“Staff”), New York Power Authority (“NYPA”), New York State Energy Research and Development Authority (“NYSERDA”), the City of New York (“NYC”), Metropolitan Transportation Authority, Consumer Power Advocates, New York Energy Consumers Council, Inc., Joint Supporters, Gotham Power Zerega LLC, 1<sup>st</sup> Rochdale Cooperative Group, Ltd, Independent Power Producers of New York, Inc., Con Edison Solutions, Constellation NewEnergy, Inc., Direct Energy Services, LLC, Mid-Atlantic Power Supply Association, National Energy Marketers Association, North American Energy, Inc., Small Customer Marketer Coalition, Strategic Energy, LLC, ConsumerPowerline, Meter Service Provider Association of New York, Inc., Sterling Planet, Inc., and other parties whose signature pages are or will be attached to this Proposal (collectively referred to herein as the “Signatory Parties”).

**Procedural Setting**

The Company is operating under a multi-year rate plan that expires on March 31, 2005.<sup>1</sup> On April 30, 2004, Con Edison filed new tariff leaves and supporting testimony for new rates

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<sup>1</sup> Case 00-M-0095, et. al., Joint Petition of Consolidated Edison, Inc. and Northeast Utilities – Approval of Merger, Opinion No. 00-14 (issued November 30, 2000).

and charges for retail sales and for delivery services for its electric business for the period April 1, 2005 through March 31, 2006. In that filing, the Company also proposed terms for a multi-year rate plan.

Parties to this proceeding engaged in discovery activities starting shortly after the proceeding was commenced. After a number of iterations to the schedule for this proceeding, parties filed testimony in response to the Company's original filing on September 10, 2004. Parties also filed rebuttal testimony on October 13, 2004. A hearing on the filing and the parties' testimony was scheduled to commence on October 25, 2004.

On September 13, 2004, Con Edison notified all parties, by electronic and first class mail, of the commencement of settlement negotiations on September 20, 2004.<sup>2</sup> Settlement negotiations began on September 20, 2004 and continued on September 21, 22, 27, 28, 29, October 4 and 5, at which time they were terminated. On October 21, 2004, Con Edison notified all parties, by electronic and first class mail, of the resumption of settlement negotiations on October 25, 2004.<sup>3</sup> The negotiations resumed on that date and continued on October 25, 26, 27, 28, November 1, 8, 17, 18, 19, 23, and 30, 2004.

All settlement negotiations were conducted in accordance with the New York State Public Service Commission's ("Commission") Settlement Rules, 16 NYCRR § 3.9, and all parties received appropriate advance notice of all negotiating sessions, including all breakout sessions that, pursuant to the agreement of the parties, were conducted on particular issues during this same time period.

The parties' negotiations have been successful and have resulted in this Proposal, which is presented to the Commission for its consideration.

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<sup>2</sup> A copy of this notice was filed with the Secretary to the Commission.

<sup>3</sup> A copy of this notice was also filed with the Secretary.

## **Overall Framework**

The Signatory Parties have developed a comprehensive set of terms and conditions for a multi-year rate plan for Con Edison's electric business. These terms and conditions are set forth below and in the attached Appendices. Specifically, this Proposal addresses the following topics:

- A. Term**
- B. Electric Rates and Revenue Levels**
- C. Computation and Disposition of Earnings**
- D. Reconciliations**
- E. Additional Rate Provisions**
- F. Retail Access Program**
- G. Reliability Performance Mechanism**
- H. Compliance with Environmental, Health and Safety Policy**
- I. Customer Service Issues**
- J. Demand Management**
- K. System Reliability Assurance**
- L. Revenue Allocation**
- M. Rate Design**
- N. Miscellaneous Provisions**

### **A. Term**

The Signatory Parties recommend that the Commission approve or adopt the three-year electric rate plan for Con Edison set forth herein, commencing April 1, 2005 and continuing through March 31, 2008 ("Electric Rate Plan"). For the purposes of this Proposal, "Rate Year" ("RY") means a 12-month period starting April 1 and ending on the following March 31; "RY1"

means the 12-month period from April 1, 2005 to March 31, 2006; “RY2” means the 12-month period from April 1, 2006 to March 31, 2007; and “RY3” means the 12-month period from April 1, 2007 to March 31, 2008.

**B. Electric Rates and Revenue Levels**

**1. Rate Level**

This Proposal recommends an increase to the Company’s delivery service rates, including the fixed component of the Monthly Adjustment Clause (“MAC”), designed to produce an additional \$104.6 million in revenues on an annual basis in RY1, no additional revenues in RY2, and an additional increase of \$220.4 million in revenues on an annual basis in RY3, as shown in Appendix A.<sup>4</sup> These increases are net of the amortizations of various customer credits and debits on the Company’s books of account that have been previously deferred by the Company and specified customer credits that are expected to be received during the Electric Rate Plan. The list of customer credits and debits to be applied during the Electric Rate Plan is attached as Appendix B. The imputed expected credits include: (i) \$60 million per year of expected Transmission Congestion Contract (“TCC”) auction proceeds; and (ii) \$48.5 million that comprises Con Edison's estimate of the net proceeds from the sale of the Company's West 24<sup>th</sup> Street Chelsea property (“Chelsea”).<sup>5</sup>

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<sup>4</sup> The Company will establish a regulatory asset in RY2 and accrue revenues of \$58.6 million, plus interest. The accrued revenues will be reversed in RY3.

<sup>5</sup> Con Edison has not yet filed a petition under Public Service Law §70 for approval of the sale of this property with the Commission, and this Proposal does not constitute such a filing. The Signatory Parties, except Con Edison, are not privy to the details of this transaction and express no view on or agreement with either the reasonableness of the sale price or other terms of sale or whether the proposed transaction should be approved by the Commission.

If TCC auction proceeds are greater or less than \$60 million in RYs 1, 2, or 3, the Company will pass through the variation in the MAC. If the net gain from the sale of Chelsea is more or less than \$48.5 million, the Company will defer the difference. To settle certain issues raised in this proceeding, including issues related to the Company's pension and Other Post-Employment Benefits ("OPEB") costs and prospective application of the provisions of the Commission's Pension Policy Statement,<sup>6</sup> the Company has agreed to provide a credit to customers of \$100 million, as shown on Appendix B. To record the Company's liability for this credit, the Company will, prior to the beginning of RY1, record a one-time charge to pre-tax earnings of \$100 million and establish a regulatory liability and record related deferred income tax effects. The effect of this charge will be excluded from any earnings sharing calculation in the year recorded.

**2. Sales Forecast**

The parties have agreed to a sales forecast for each Rate Year. The sales volumes for each year are set forth in Appendix C.

**3. Market Supply Charge and Monthly Adjustment Clause**

The Company will continue to recover all prudently-incurred supply and reliability-related costs, including, but not limited to, power purchase costs and the embedded costs of retained generation, through the Monthly Supply Charge ("MSC")/MAC mechanism. The MAC tariff will be modified as shown on the draft tariff leaves included in Appendix D. The transition from the tariff provisions in effect to the new tariff provisions that reflect the terms and

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<sup>6</sup> Case 91-M-0890, In the Matter of the Development of a Statement of Policy Concerning the Accounting and Ratemaking Treatment for Pensions and Post-Retirement Benefits Other Than Pensions, Statement of Policy and Order Concerning the Accounting and Ratemaking Treatment for Pensions and Post-Retirement Benefits Other Than Pensions (issued September 7, 1993) ("Pension Policy Statement").

conditions of this Proposal will be done in a revenue and earnings neutral manner. Among other things, the MAC will be modified to specify recovery of certain program costs, lost revenues, and incentives as provided below in Section J.

Given that MSC/MAC estimates for the period November 1, 2004 through April 30, 2005 have already been filed by the Company, the MAC revenue changes associated with the month of April 2005 that will result from the various provisions of this Proposal will be reflected in the April 2005 MAC true-up. Beginning May 2005, the proposed changes in the costs to be recovered through the MAC will be reflected in the MAC estimates.

In an effort to reduce the volatility of customers' bills, the Company will, beginning in May 2005, forecast MSC and MAC rates on a three-month basis. In addition, any TCC auction proceeds to be credited to customers will be applied over the period covered by the auction; for example, credits from a TCC auction covering a one-year period will be flowed back to customers over the same one-year period. Other credits or costs, such as New York Independent System Operator ("NYISO") rebills, will be passed back or recovered over a reasonable period of time in order to reduce volatility in the MAC.

The Company will file estimated MSC/MAC rates apart from the rate schedules three business days before May 1, August 1, November 1 and February 1 of each Rate Year. The Company will file one MSC/MAC statement applicable both to customers served under PSC No. 9 – Electricity (the "Full Service Schedule") and PSC No. 2 – Retail Access (the "Retail Access Schedule"), as appropriate. The MSC is applicable to customers served under the Full Service Schedule, except for Service Classification ("SC") 11, and to customers served under Special Provision C of SC 14-RA of the Retail Access Schedule. The Company does not serve copies of MSC/MAC statements on parties but will make them available on its web site

contemporaneously with the dates they are filed. The MAC is applicable to customers served under the Full Service Schedule, except for SC 11, and to customers served under the Retail Access Rate Schedule, except for SC 15-RA. Customers served under the Power Authority of the State of New York (“PASNY”)<sup>7</sup> and Economic Development Delivery Service (“EDDS”) rate schedules are exempt from the MAC up to the megawatt (“MW”) cap established under each schedule, as specified in Appendix E.

#### **4. State Income Taxes**

Commencing April 1, 2005, State Income Taxes (“SIT”) attributable to Con Edison's electric business will be recovered through base rates; in accordance with the Commission's directive in Case 00-M-1556,<sup>8</sup> this method of recovery will replace the current mechanism of recovering such tax expenses as a component of the percentage Increase in Rates and Charges surcharge. Although the increased revenue requirement discussed above excludes the \$28.3 million of SIT surcharge to be rolled into base rates, the transition from the use of the surcharge to inclusion in base rates will be revenue and earnings neutral. The Company will continue to use the Increase in Rates and Charges surcharge to reconcile and recover from or credit to customers SIT for periods prior to April 1, 2005.

#### **5. Low Income Program**

The Company will conduct a low income customer rate discount program targeted at low income residential customers taking service under Rate I of SC 1 (non-heating) and 7 (heating). Customers in the Company's low income program established pursuant to Opinion No. 00-14, as of

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<sup>7</sup> Throughout this Proposal, the abbreviation “NYPA” refers to the Power Authority as an entity and a party to this proceeding; the abbreviation “PASNY” is used only in reference to the Con Edison rate schedule applicable to delivery service to NYPA for its customers.

<sup>8</sup> Case 00-M-1556, Proposed Accounting and Ratemaking for the Tax Law Changes Included in the 2000-2001 New York State Budget, Order Implementing Tax Law Changes on a Permanent Basis (issued June 28, 2001).

March 31, 2005, will not be required to re-enroll in the low income program described herein. The customer charge for such customers will be set at \$6.00 per month for each Rate Year (a rate discount of approximately \$5.00) but may be changed in RY3 as set forth below. The targeted cost for this program is \$37.5 million over the Electric Rate Plan.<sup>9</sup> This funding level should be sufficient to encompass approximately 198,000 low income customers annually, which is about the same number of low income customers participating in the low income program established in Opinion No. 00-14.

To qualify for this rate discount program, a customer must be enrolled in the Direct Vendor or Utility Guarantee Program, and/or receiving benefits under any of the following governmental assistance programs: Supplemental Security Income, Temporary Assistance to Needy Persons/Families, Safety Net Assistance, Food Stamps, or have received a Home Energy Assistance Program grant in the preceding 12 months.

Qualifying customers will be automatically enrolled through a matching of the Company's records with the records of the New York City Human Resources Administration and Westchester County Department of Social Services. If such matching becomes impracticable, the Company, in consultation with Staff and those agencies, will develop alternative strategies to identify and enroll qualifying customers.

If the Company, in consultation with Staff, NYC, and the County of Westchester (“COW”), estimates that the aggregate actual rate reductions to be provided to low income customers over the Electric Rate Plan will exceed or be less than \$37.5 million, it may revise the customer charge/rate discount applicable in RY3 so that the forecast cost of the program will remain at \$37.5 million. If a revision is determined to be necessary or appropriate, revised charges

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<sup>9</sup> Of the required funding, \$9.1 million annually is reflected in the revenue requirement; the remainder will be implemented through revenue allocation from all customers.

must be filed on not less than 75 days' notice before the beginning of RY3. Further, if a revision is made, the customer charge will not be less than \$5.50 nor more than \$6.50. At the end of the Electric Rate Plan, any difference between the \$37.5 million and the aggregate actual level of low income rate discounts provided over the Electric Rate Plan will be deferred for future disposition.

The Company will annually report to the Commission, within 60 days of the end of each Rate Year, the number of customers enrolled in the program, the total amount expended for the Rate Year, and total amount expended for the program to date.

**C. Computation And Disposition of Earnings**

Following each of RYs 1, 2 and 3, Con Edison will compute its electric rates of return on common equity capital for the preceding Rate Year. The Company will submit to the Director of the Office of Accounting and Finance the computation of earnings no later than 60 days after the end of each Rate Year.

If the level of earned common equity return in any Rate Year exceeds 11.40 percent (“Earnings Sharing Threshold”), calculated as set forth below, the amount in excess of 11.40 percent will be deemed “shared earnings” for the purposes of this Proposal, and one-half of the revenue equivalent of any shared earnings between 11.40 percent and 13.00 percent will be deferred for the benefit of customers and the remaining one-half of the revenue equivalent of any shared earnings will be retained by the Company; 75 percent of the revenue equivalent of any shared earnings in excess of 13.00 percent will be deferred for the benefit of customers and the remaining 25 percent of the revenue equivalent of any shared earnings will be retained by the Company.

For purposes of determining whether the Company has earnings above the Earnings Sharing Threshold:

1. The calculation of return on common equity capital will be computed from the Company's books of account for each Rate Year, excluding the effects of (i) Company incentives and performance-based revenue adjustments; (ii) the Company's share of property tax refunds earned during the Electric Rate Plan, and (iii) any other Commission-approved ratemaking incentives applicable during the Electric Rate Plan; and

2. Such earnings will be calculated based on a capital structure that reflects the lesser of (i) an equity ratio equal to 50.0 percent or (ii) Con Edison's actual average common equity ratio.

**D. Reconciliations**

The Company will reconcile the following costs to the levels reflected in rates, as set forth in Appendices F and G. The reconciliations in each of RY1, RY2, and RY3 will be deferred and recovered from customers or credited to customers after expiration of this Electric Rate Plan, in a manner to be determined by the Commission. However, at the end of each Rate Year and subject to audit and prudence review, the Company may apply any available credits, except credits associated with TCC's, to offset the deferred balance.

**1. Property Taxes**

If the level of expense for property taxes (excluding the effect of property tax refunds or credits) varies in any Rate Year by more than 2.5 percent (plus or minus) from the levels reflected in rates, as set forth in Appendix F, any variations in excess of 2.5 percent will be deferred and recovered from or credited to customers in the manner described above.

**2. Interference (Other Than Company Labor)**

If the level of actual non-Company labor interference expenses (*e.g.*, contractors' costs) varies in any Rate Year by more than 2.5 percent (plus or minus) from the levels reflected in

rates, as set forth in Appendix F, any variations in excess of 2.5 percent will be deferred and recovered from or credited to customers in the manner described above.

**3. Transmission and Distribution Capital Expenditures**

If, at the end of any Rate Year, average net plant in the transmission and distribution (“T&D”) category is either greater than or less than the amount set forth in Appendix G (“T&D Capital Target”), the revenue requirement impact of such variation, as calculated below, will be deferred and recovered from or credited to customers in the manner described above. T&D plant is defined as electric utility plant recorded in Federal Energy Regulatory Commission (“FERC”) Accounts 350 – 373, net of associated depreciation reserves. The revenue requirement impact will be calculated by applying an annual carrying charge factor of 13.95 percent (representing a combination of pre-tax rate of return of 11.40 percent and depreciation of 2.55 percent) to the actual Rate Year variance from the T&D Capital Target. In addition, any payments made by the Company under the targeted energy efficiency (“EE”) /distributed generation (“DG”) program for the deferral of T&D capital expenditures will be deferred and recovered from customers in the manner described above.

The Company will, for informational purposes, file with the Secretary to the Commission and submit to the Signatory Parties in this proceeding, subject to confidentiality concerns, by May 1, 2005 and thereafter by January 31 each year, a comprehensive status report on its annual T&D expenditures. The report should, at a minimum:

- a. identify all completed projects, the date they were completed, and the cost of the project;
- b. for ongoing projects, provide their status, estimated dates of completion, and costs expended to date;

c. for projects where the Company's expenditures have varied by more than 15 percent from estimates previously provided to the parties, provide a detailed explanation and justification for such variation; and

d. for each new project (*i.e.*, those not previously identified by the Company in this proceeding), provide a detailed project description, justification of the need for the project, cash flow requirements from inception through completion, an explanation of how the cost figures were derived, and supporting work papers and other back-up materials.

The Company has the flexibility over the Electric Rate Plan to modify the list, priority, nature, and scope of the capital projects identified in its April 30, 2004 filing or in any of the status reports filed pursuant to this section.

#### **4. Production Plant Expenditures**

If, at the end of any Rate Year, average net plant in the production category is less than the amount set forth in Appendix G (“Production Capital Target”), the revenue requirement impact of such variation, as calculated below, will be deferred and credited to customers in the manner described above. Production plant is defined as electric utility plant recorded in FERC Accounts 301 – 346, net of associated depreciation reserves. The revenue requirement impact will be calculated by applying an annual carrying charge factor of 14.75 percent (representing a combination of pre-tax rate of return of 11.40 percent and depreciation of 3.35 percent) to the actual Rate Year variance from the Production Capital Target.

The Company will, for informational purposes, file with the Secretary to the Commission and submit to the Signatory Parties in this proceeding, subject to confidentiality concerns, by May 1, 2005 and thereafter by January 31 each year, a comprehensive status report on its annual production expenditures. The report should, at a minimum:

- a. identify all completed projects, the date they were completed, and the cost of the project;
- b. for ongoing projects, provide their status, estimated dates of completion, and costs expended to date;
- c. for projects where the Company's expenditures have varied by more than 15 percent from estimates previously provided to the parties, provide a detailed explanation and justification for such variation; and
- d. for each new project (*i.e.*, those not previously identified by the Company in this proceeding), provide a detailed project description, justification of the need for the project, cash flow requirements from inception through completion, an explanation of how the cost figures were derived, and supporting work papers and other back-up materials.

The Company has the flexibility over the Electric Rate Plan to modify the list, priority, nature, and scope of the capital projects identified in its April 30, 2004 filing or in any of the status reports filed pursuant to this section.

#### **5. Pensions/OPEBs**

The Company will implement the Pension Policy Statement for electric operations, effective April 1, 2005. The provisions of the Pension Policy Statement include, but are not limited to, the provision to reconcile actual pension/OPEB expenses to the level allowed in rates, as set forth in Appendix F.

The Company agrees that, as a condition for being permitted to implement the provisions of the Pension Policy Statement, it will not, during the Electric Rate Plan or thereafter, without Staff's prior concurrence, seek approval or authorization from the Commission to deviate from the Pension Policy Statement for electric operations.

The electric pension/OPEB expense or credit recorded prior to April 1, 2005 (*i.e.*, prepaid pension balance) will not be eliminated from the Company's earnings base or capitalization for ratemaking purposes.

**6. Environmental Remediation**

If the level of actual expenditures for site investigation and remediation allocated to Con Edison's electric business,<sup>10</sup> including expenditures associated with former manufactured gas plant ("MGP") sites, Superfund and 1994 DEC Consent Order Appendix B charges, varies in any Rate Year from the level reflected in rates, as set forth in Appendix F, such variation will be deferred and recovered from or credited to customers in the manner described above. The deferred balances will be reduced by accruals, insurance recoveries, associated reserves, and deferred taxes.

**7. Stray Voltage**

The revenue requirement reflects estimated amounts for a stray voltage program as set forth in Appendix F. If there are any changes to the stray voltage program as a result of a final non-appealable order in Case 04-M-0159,<sup>11</sup> any variation between the costs included in this Proposal, except for capital costs addressed in Section D.3, above, and the actual costs of the

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<sup>10</sup> These costs are the costs Con Edison incurs to investigate, remediate or pay damages (including natural resource damages, with respect to industrial and hazardous waste or contamination spills, discharges, and emissions) for which Con Edison is deemed responsible. These costs are net of insurance reimbursements (if any); nothing herein will require the Company to initiate or pursue litigation for purposes of obtaining insurance reimbursement, nor preclude or limit the Company's obligations to act prudently in such matters.

<sup>11</sup> Case 04-M-0159, Proceeding on Motion of the Commission to Examine the Safety of Consolidated Edison Company of New York, Inc.'s Transmission and Distribution Systems, Order Instituting Proceeding, Requiring Additional Testing and Any Necessary Repair and Report on Status of Electric Program (issued February 11, 2004).

program, will be deferred and recovered from or credited to customers in the manner described above.

**8. Additional Reconciliation/Deferral Provisions**

The reconciliation provisions for property taxes, interference (other than Company labor), T&D Capital Expenditures, Production Capital Expenditures, pensions/OPEBs, environmental remediation, stray voltage expense, Financial Accounting Standards (“FAS”) 109 taxes, Metropolitan Transportation Authority (“MTA”) taxes, and all other reconciliations and deferrals described in this Proposal will continue in effect through the Electric Rate Plan. Applicable reconciliations and deferrals of FAS 109 taxes, MTA taxes, pensions/OPEBs, the MAC, and the MSC will continue in effect thereafter unless and until modified by the Commission. All customer credits received by the Company during the Electric Rate Plan will be deferred for customers' benefit.

The treatment of World Trade Center (“WTC”) capital costs deferred by Con Edison and allocated to its electric business will be in accordance with the Commission’s determination in Case 01-M-1958 and, as of April 1, 2005, subject to interest at Con Edison’s allowed pre-tax AFUDC rate of return. The Company will continue to seek recovery for all WTC costs from governmental agencies and insurance carriers. All recoveries will be applied to reduce the deferred balance.

**9. Limitations on Deferrals**

When calculating the level of earned common equity return that may be subject to sharing under Section D of this Proposal, the Company will make the following adjustments if its earnings exceed an 11.40 percent return on equity:

a. For earnings above 11.40 percent but less than or equal to 13.00 percent, the Company will reduce expenses (debits) deferred for later recovery pursuant to this Section D,

up to 50 percent of the deferral, provided that such reduction in deferrals will not cause the resulting earnings to decrease below an 11.40 percent return on equity.

b. For earnings above 13.00 percent, the Company will reduce expenses (debits) deferred for later recovery pursuant to this Section D, up to 100 percent of the deferral, provided that such reduction in deferrals will not cause the resulting earnings to decrease below a 13.00 percent return on equity.

c. The deferral limitation outlined above will apply to all debit deferrals except for the MSC, MAC, deferred taxes and surcharges, WTC-related expenditures, carrying costs on T&D capital expenditures, losses on property sales, demand management costs and incentives, and migration incentives.

## **E. Additional Rate Provisions**

### **1. Depreciation Rates and Reserves**

The average service lives, net salvage factors and life tables used in calculating the depreciation reserve and in establishing the revenue requirement are set forth in Appendix H.

### **2. Interest on Deferred Costs**

The Company will record on its books and records of accounts various credits and debits that will ultimately be reflected in the rates to be charged to customers. Unless otherwise specified in this Proposal or by Commission order, the Company will accrue interest on all such book amounts, net of federal and State income taxes, at an interest rate equal to the unadjusted rate for customer deposits published by the Commission annually. FAS 109 and MTA tax deferrals are either offset by other balance sheet items or reflected in the Company's rate base and will not be subject to interest. The one-time global settlement charge represents a non-cash charge to earnings and will not be subject to interest.

**3. Allocation of Common Expenses/Plant**

During the Electric Rate Plan, common expenses and common plant will be allocated according to the percentages reflected in the electric revenue requirement calculations, as shown in Appendix I. Should the Commission approve different common allocation percentages for gas and/or steam service prior to the next base rate case for the electric business, the resulting change in revenue requirement will be deferred on an annual basis for future recovery from or credit to customers.

**4. Property Tax Refunds and Credits**

Property tax refunds allocated to Con Edison's electric business that are not reflected in the Electric Rate Plan and which result from the Company's efforts, including credits against tax payments (intended to return or offset past overcharges or payments determined by the taxing authority to have been in excess of the property tax liability appropriate for Con Edison), will be deferred for future disposition except for an amount equal to 14 percent of the refund or credit which will be retained by the Company. Incremental expenses incurred by the Company to achieve the property tax refunds or credits will be netted against the refund or credit before any sharing or deferral of the proceeds is calculated. The deferral, recovery, and retention of property tax refunds and incentives will be subject to an annual showing by the Company of its ongoing efforts to reduce its property tax burden; additionally, the Company is not relieved of the requirements of 16 NYCRR Part 89 with respect to any refunds it receives.

**5. Sale of First Avenue Properties**

The interest on any net gains attributable to the electric business on the sale of the First Avenue Properties will be deferred and accrue interest at the Company's pre-tax rate of return level. Any remaining embedded costs related to these Properties upon their sale will be removed from the MAC, as appropriate.

**6. East River Repowering Project**

The carrying costs charged by the Steam Department for the electric department's portion of the costs of the East River Repowering Project (“ERRP”) will be flowed through the MAC. The allocation of ERRP costs between the electric and steam departments will be governed by the Gas/Steam Rate Order.<sup>12</sup> Actual maintenance expenses may not be incurred ratably as they are reflected in rates. In order to normalize earnings impacts, the Company may defer revenues to match maintenance expenses as incurred during the Electric Rate Plan.

**F. Retail Access Program**

**1. Purchase of Accounts Receivable**

On or about April 1, 2005 and during the Electric Rate Plan, the Company will offer a Purchase of Receivables Program (“POR Program”) to Energy Service Companies (“ESCOs”) who are authorized to provide electric supply service in its territory.<sup>13</sup> Starting January 2005, the Company will provide monthly status reports on its progress to implement the POR Program to Staff and the Signatory Parties. This program will be implemented and administered, to the extent practicable, as a single program (with the possibility of different discount rates) in conjunction with the POR program established in the Gas/Steam Rate Order for ESCOs authorized to provide gas supply service in the Company’s territory.

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<sup>12</sup> Cases 03-G-1671 and 03-S-1672, Consolidated Edison Company of New York, Inc. – Gas and Steam Rates, Order Adopting the Terms of a Joint Proposal (issued September 27, 2004) (“Gas/Steam Rate Order”).

<sup>13</sup> The Company estimates that it will be able to implement the POR program upon the commencement of the Electric Rate Plan. Any ESCO that is a Signatory Party to this Proposal hereby agrees that it will not, prior to April 1, 2005, request the Company to suspend electric service to any of the ESCO's customers; disconnection of delivery service and termination of commodity service upon implementation of the POR Program will be in accordance with Section F.1.c, below.

Under the POR Program, the Company will purchase electric and gas supply service accounts receivable, at a discount and without recourse, on the accounts of the Company's delivery service customers who receive a consolidated bill from the Company that includes electric and/or gas supply service provided by the ESCOs. The Company's purchase of receivables will begin with current charges billed on a utility consolidated bill issued on and after the commencement of the POR program. Payment will be made to each participating ESCO on the 20<sup>th</sup> day of the calendar month for customer accounts billed during the preceding calendar month. For receivables associated with charges billed on consolidated bills issued by the Company prior to the commencement of the POR program, the Company will undertake collection on the ESCO's behalf and will prorate any payments received as a result of the Company's collection activities, provided that the ESCO indemnifies and holds harmless Con Edison for any damages, claims, costs or expenses that are not the result of the sole negligence of Con Edison, if any such collection activity deemed to be subject to federal, state or local laws on collection is adjudged to be in violation thereof.

The POR Program is premised on implementation in accordance with the following provisions.

a. Discount Rate

The discount rate applicable to receivables purchased from the commencement of the POR Program through the end of calendar year 2005 will be 0.97 percent for electric and gas receivables purchased by the Company.<sup>14</sup> The discount rate reflects the sum of:

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<sup>14</sup> Because the initial discount rate of 0.97 reflects different assumptions and therefore falls below the low end of the range (1.25) for the initial discount rate under the POR program for gas receivables as established in the Gas/Steam Rate Order, the Signatory Parties to this Proposal that are also signatory parties to the Gas Joint Proposal agree to support modifications to the Gas Rate Plan to the extent necessary to implement the discount rate set forth in this Proposal for purchased gas receivables, including the recovery of system change

i) 0.72 percent, which is the Company's uncollectible rate for all residential and commercial electric and gas customers, other than the Company's corporate account customers,<sup>15</sup> for the 10 months ending October 2004;

ii) 0.10 percent, which is 15 percent of the 0.72 percent uncollectible rate and is designed to compensate the Company for its financial risk that the actual uncollectible rate for the purchased receivables may be higher than 0.72 percent; and

iii) 0.15 percent, which reflects the incremental costs associated with two new full-time employees necessary to administer the POR Program, at an estimated annual aggregate compensation rate (including fringe benefits) of \$190,000.

The Company's costs of credit and collection and theft associated with customers taking ESCO service under the POR Program will not be recovered through the discount rate discussed above, but rather will be addressed in the Unbundling Proceeding, either through an unbundled rate/back-out credit for customers under the POR Program that excludes costs for credit and collection and theft or another vehicle for collecting credit and collection and theft costs from such customers. The Signatory Parties recognize that the component included in the POR discount rate for uncollectibles inter-relates with the lost revenue recovery mechanism to be established in the Unbundling track of this proceeding; that is, the determination of the lost

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costs to implement billing for the POR Program and related matters associated with retail choice in compliance with requirements under the Uniform Business Practices and in connection with the Commission's implementation of the amendments to the Home Energy Fair Practices Act, from gas customers in the manner addressed for electric customers in section F.1.b. Absent Commission approval of such modifications, the discount rate for purchased gas receivables will be established in accordance with the Gas Rate Plan.

<sup>15</sup> A Con Edison corporate account customer is any single account over 180 kW in monthly billing demand, one of multiple accounts for premises or facilities owned or managed by one customer with locations in different operating areas within Con Edison's service territory, any governmental account, any New York City real estate account, any NYPA account, any New York City street and traffic lighting location, any special unmetered service account, and any account that requires specialized billing.

revenues recoverable by the Company will recognize the Company's recovery of costs attributable to uncollectible bills in the POR discount rate (*e.g.*, for calendar year 2005, the equivalent value of the 0.72 percent component of the discount rate set forth in a (i) above). The Signatory Parties further recognize that the ALJ has established a procedural schedule for establishing unbundled rates/back-out credits, whereby the parties will either (i) file a joint proposal with the Commission by January 25, 2005 or (ii) the Company will file an update to its October 12, 2004 filing in the Unbundling Track of Case 00-M-0504, by December 22, 2004. The Signatory Parties agree that the unbundled rates/back-out credits should be made effective May 1, 2005.

For calendar year 2006, the discount rate applicable to receivables purchased during calendar year 2005 will be adjusted to reflect (i) changes in the Company's actual uncollectibles experience for all residential and commercial electric and gas accounts other than the Company's corporate accounts customers, including uncollectibles attributable to ESCO customers participating in the POR Program, during 2005, (ii) an associated adjustment to the risk factor, and (iii) any additional incremental, verifiable costs beyond those included in the initial discount rate associated with administering the POR Program. The discount rate applicable to receivables purchased during calendar year 2007 and calendar year 2008 (until the end of the Electric Rate Plan) will be adjusted in the same manner as the 2006 discount rate reflecting the Company's most recent calendar year experience.

With respect to the discount rates for 2006, 2007, and 2008, an ESCO may invoke mediation under the Commission's Office of Hearings and Alternative Dispute Resolution with respect to any increase in the discount rate (but not with respect to the underlying discount rate)

if the ESCO believes that the Company has not established the increase reasonably in accordance with the foregoing criteria applicable to adjustments to the discount rate.

For ESCOs that participate in the POR Program, the Company will be exempted from pro-rating partial payments from those ESCOs' customers except when those payments are applied to ESCO receivables not purchased or that have been charged back to the ESCO.

b. Implementation Costs

The Company has incurred, and will continue to incur during the Electric Rate Plan, system change costs to implement billing for the POR Program and related matters associated with retail choice in compliance with requirements under the Uniform Business Practices and in connection with the Commission's implementation of amendments to the Home Energy Fair Practices Act. None of these costs are reflected in the revenue requirement, nor are they recoverable by the Company through the POR discount, which recovers only the Company's incremental administrative costs associated with the POR Program. The Company is permitted to defer these costs and an accrued carrying charge on these costs, net of any income tax benefits, at the Company's 11.40% pre-tax rate of return for future recovery from customers.

c. Disconnection of Service

Con Edison, in accordance with applicable provisions of law, may disconnect its delivery service and an ESCO's commodity service to residential customers who fail to make full payment of all amounts due on the consolidated billing, including the amount of the purchased ESCO receivables. Residential customers disconnected from utility service under the POR Program will be reconnected to service upon the payment of the arrears that were the subject of the disconnection, which may include both delivery and supply charges, or a lesser amount as specified in Public Service Law §32(5)(d).

Con Edison is also authorized, in accordance with 16 NYCRR Part 13, to disconnect its delivery service and ESCO commodity service to non-residential customers where: (i) the customer fails to make full payment of all amounts due on the consolidated billing; and (ii) the Company purchased the ESCO receivable. As a condition of each ESCO's participation in the POR Program, the ESCO will furnish the Company an affidavit from an officer of the ESCO representing to the Company that the ESCO has notified its non-residential customers and will notify its future non-residential customers that Con Edison is permitted to disconnect a customer for non-payment of the ESCO charges. The ESCO will also indemnify the Company for any cost, expense, or penalty if the customer's service is discontinued for non-payment and the customer establishes that it did not receive such notification.

d. Charge Back

Where Con Edison reconnects service to a residential customer in accordance with Public Service Law §32(5)(d), the Company is permitted to charge back to the ESCO as of the date of reconnection the difference between the billed amount and the amount the residential customer would have been charged as a full service customer. Charge back may be accomplished by netting out the amounts owed the Company by the ESCO from the payments otherwise due the ESCO from the Company. After reconnection, if and when the customer makes a payment that is applicable to the charge back amount, the Company will remit the payment to the ESCO in accordance with its routine remittance practices.<sup>16</sup>

e. Billing Options

Con Edison is not required to offer additional utility consolidated billing options to any ESCO providing either electric or both electric and gas commodity service apart from the

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<sup>16</sup> The charge back amount is treated as arrears that are not subject to disconnection for the purpose of pro-ration.

consolidated billing option available for the POR Program. ESCOs electing not to participate in the Company's POR Program are required to provide their own bills to residential customers under the procedures applicable to the dual billing model; ESCOs may offer an ESCO consolidated bill to their non-residential customers in accordance with Con Edison's existing ESCO consolidated bill program and using Con Edison's current data exchange system. By its approval of this Joint Proposal, the Commission grants to Con Edison a waiver of the provisions of the Uniform Business Practices related to consolidated billing options, to the extent inconsistent with the foregoing, during the Electric Rate Plan. The POR Program is contingent upon the Company's receipt of such waiver of the Uniform Business Practices related to consolidated billing options.

If, during RY3, a minimum of two ESCOs eligible to participate in the Company's retail access program request in writing the ability to issue ESCO consolidated bills to residential customers in lieu of participating in the POR Program, and each requesting ESCO can demonstrate, to Con Edison's satisfaction, its ability to issue ESCO consolidated bills, the Company, Staff and interested ESCOs will convene a collaborative process within 60 days of the request to discuss the reasonableness of and the time required for implementing an ESCO consolidated billing program for residential customers without a POR component.

## **2. Retail Marketing Program**

Pursuant to the Gas/Steam Rate Order, Con Edison is establishing a Retail Marketing Program. Concurrent with the implementation of a POR Program for both the gas and electric businesses, Con Edison will expand the Marketing Program to include both gas and electric customers. Under this Marketing Program, ESCOs participating in the Company's POR Program can offer electric customers who enroll with the ESCO under utility consolidated billing a seven

percent discount from the Energy Shopping Price<sup>17</sup> for a two-billing cycle introductory period,<sup>18</sup> provided that each electric account will receive only one discount over the Electric Rate Plan.

The Marketing Program will include the following additional elements:

- a. A procedure for customer enrollments by Con Edison reasonably designed to provide each ESCO a generally equivalent number of accounts by service type (electric only or electric and gas combination service), rate classification, and location. Customers enrolled by Con Edison through this Program are not permitted to select a specific ESCO.<sup>19</sup>
- b. Con Edison will obtain customer authorization, process enrollments, and provide customer information to the assigned ESCO.
- c. Con Edison will calculate the price to be charged customers enrolled under this Program on the two bills issued during the two-billing cycle introductory period.
- d. Participating ESCOs must provide enrolled customers with the terms and conditions, including price, for serving those customers beyond the two-billing cycle introductory period.
- e. Participating ESCOs will not penalize a customer who returns to utility service timely following the two-billing cycle introductory period.

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<sup>17</sup> The Energy Shopping Price will be calculated by subtracting the customer's retail access delivery service bill from a full service bill calculated using the same billing determinants and dividing the result by the customer's usage during the billing period.

<sup>18</sup> The Company may, after consultation with Staff and with consensus among ESCOs authorized to provide service in the Company's service territory, adjust the seven percent discount prospectively for the purpose of maximizing both ESCO and customer participation in the Marketing Program.

<sup>19</sup> Con Edison will accept an ESCO's request to enroll a customer in this Program.

f. Each participating ESCO will indemnify the Company against any damages, penalties, or other costs associated with or arising from a claim that the ESCO misrepresented the terms of the ESCO service that was initiated through this Program.

**3. Market Match and Market Expo Programs**

The Gas/Steam Rate Order established Market Match and Market Expo Programs as means of facilitating the development of the competitive gas market and promoting contact between Con Edison's large non-residential customers and ESCOs. Con Edison will expand these Programs to include both gas and electric customers.

a. Market Match Program

The Market Match Program provides ESCOs and large customers the opportunity to exchange information electronically and allow the ESCOs to offer the customers competitive supply service proposals based on their specific load profiles. The Program will include the following elements:

i) A capability on Con Edison's web site for customers interested in obtaining competitive price offers from ESCOs to provide on-line authorization to the ESCOs enabling the ESCOs to obtain their usage data.

ii) Con Edison will notify all customers with maximum monthly demand of at least 100 kW of this Program by direct letter. Con Edison may reduce the 100 kW threshold criteria in order to expand customer participation in this Program.

iii) ESCOs may use customers' account numbers to access customer usage information.

iv) ESCOs will execute a confidentiality agreement promising not to release or use customer information for purposes other than the Market Match Program.

b. Market Expo Program

The purpose of the Market Expo Program is to bring ESCOs, large non-residential customers, and Con Edison together to provide a forum for an exchange of information regarding retail choice and to provide a platform for customers to receive offers from ESCOs. The Program will include the following elements:

i) Con Edison will conduct a minimum of four Market Expos during the Electric Rate Plan. The Market Expos conducted for electric customers may be coordinated with Market Expos held for gas customers.

ii) Invitations and applications for participation in the Market Expos will be provided to all customers with maximum monthly demand of at least 500 kW. Con Edison may reduce the 500 kW threshold criteria in order to expand customer participation in this Program.

iii) At each Expo, a presentation will be made on the status of the electric markets in the Northeast and an explanation of Con Edison's retail access rules.

iv) After the presentation and any question and answer period, there will be an opportunity for customers to meet with specific ESCOs.

v) At each Expo, there will be an opportunity for customers to discuss specific retail access-related concerns, if any, with Con Edison.

**4. Competition Outreach and Education and Promotional Funding**

Con Edison will continue to conduct outreach and education to increase customer awareness and understanding of residential and non-residential competitive choice and the Company's "Power Your Way" Program. The Company will keep Staff and ESCOs informed of its competition-related outreach and education activities by providing them in advance with

samples of materials and the schedule for their distribution and by reporting on plans and activities as described in Section F.9. Con Edison will also conduct Retail Choice Promotion activities (“RCP Program”) to support its Retail Marketing, Market Expo, and Market Match Programs.

a. Funding

Con Edison is authorized to spend up to \$3.395 million during RY1, \$2.595 million during RY2, and \$1.795 million during RY3 on competition outreach and education, and on promotion of electric retail choice in its service territory. The RCP Program component of these funds will be \$1.5 million in RY1 and \$700,000 in RY2; any funds not expended in any Rate Year will, to the extent possible, be spent in subsequent Rate Year(s). These funds will be used for retail choice research and to implement retail choice education, communication and marketing efforts.

b. Timing

Within 30 days of the date of the Commission Order approving or adopting this Proposal, Con Edison will convene a meeting of Staff and ESCOs authorized to serve electric customers in its service territory to coordinate the Company’s promotion of its Retail Marketing Program.

c. RCP Program

The RCP Program will focus on the promotion of retail access and will include promotional advertising, ESCO meetings, the Market Expo and Market Match Programs, and the Retail Marketing Program. The Retail Marketing Program and the Market Expos will be developed by Con Edison with input from Staff and ESCOs. All retail access promotion material and messages, including "Power Your Way" materials and messages, will clearly identify Con Edison's affiliation with the "Power Your Way" program.

Acceptable forms of promotional advertising include, but are not limited to, the use of customer bill inserts and other direct mailings, print, radio, television, and Internet advertisements, and call center contacts.

**5. Migration Incentive**

In order to encourage Con Edison to promote retail access in its service territory, subject to the terms and conditions stated below, the Company will receive at the end of each Incentive Period (defined below) an electric migration incentive for accounts that switch to or are retained on retail access delivery service. The incentive will be calculated in accordance with the following methodology:

a. Definitions

i) “Switching” means the enrollment of an existing Con Edison full-service account in retail access delivery service or the enrollment of a new account in retail access delivery service.

ii) “Retention” means the continuation of retail access delivery service. For the purpose of the Retention Incentive, retention in RY1 will be the net increase in the number of customers taking retail access delivery service at the end of RY1 as compared to the number of customers taking retail access delivery service on the first day of RY1 or the commencement of the POR and Retail Marketing Programs, whichever occurs last (“Start Date”). Retention in RY2 will be the net increase in the number of customers taking retail access delivery service at the end of RY2 as compared to the number of customers taking retail access delivery service on either the first day of RY2 or the number of customers taking retail access delivery service on the Start Date, whichever is greater. Retention in RY3 will be the net increase in the number of customers taking retail access delivery service at the end of RY3 as compared to the number of customers taking retail access delivery service on the first day of

RY3 or the number of customers taking retail access delivery service on the Start Date or the number of customers taking retail access delivery service on the first day of RY2, whichever is greater. See Appendix J for examples of the incentive calculation.

iii) “Incentive Periods” are the time periods over which migration data will be measured for purposes of determining the level, if any, of the migration incentive to which the Company may be entitled. Measurement of migration data will commence on the Start Date. For purposes of the Retention Incentive, each Rate Year will be a separate Incentive Period (*i.e.*, RY1 is the First Incentive Period, RY2 is the Second Incentive Period, and RY3 is the Third Incentive Period).

b. Threshold

A minimum of 25,000 eligible electric accounts must commence taking service during the Electric Rate Plan from ESCOs before a migration incentive can be awarded. This threshold can be achieved anytime during the Electric Rate Plan.

c. Exclusions

Customers who resume taking bundled service from Con Edison during any of the incentive periods and any subsequent one-year periods due to an ESCO's cessation of retail marketing operations in or departure from Con Edison's service territory will be considered to have remained with the ESCO for purpose of calculating the retention incentive and are subject to the limitations in Section F.5.e.iii.

d. Eligibility

The migration incentive applies to all electric accounts.

e. Incentive Amount

i) The Company can receive a Switching Incentive for accounts enrolled in retail access delivery service. The Incentive Period will be the Electric Rate Plan. The incentive amount is \$10 per switched account, not to exceed \$4 million.

ii) The Company can also receive a Retention Incentive for accounts retained. The incentive amount is \$20 per retained account, not to exceed \$8 million over the Rate Plan.

iii) The Company can receive only one Switching Incentive and one Retention Incentive per electric account.

f. Timing of Incentive Recovery

i) If the threshold of 25,000 accounts is achieved during the First Incentive Period, Switching and Retention Incentives will be recovered at the end of that period.

ii) If the threshold of 25,000 accounts is not achieved during the First Incentive Period but is achieved during a subsequent Incentive Period, Switching and Retention Incentives for accounts switched and/or retained at any time will be recovered at the end of the period in which the threshold was achieved.

g. Recovery of Incentives

The Company will make a filing on the calculation of the incentive for the applicable incentive period with the Director of the Office of Accounting and Finance prior to recovering an incentive. All incentives will be recovered through the MAC over a 12-month period.

**6. ESCO/Marketer Ombudsman**

Pursuant to the Gas/Steam Order, Con Edison has designated a management employee who is responsible for addressing ESCO concerns and issues and who serves as a liaison

between ESCOs and the Company. ESCOs have been provided with the Ombudsman's name and telephone number and the Ombudsman is available directly to ESCOs.

**7. ESCO Satisfaction Survey**

Con Edison will conduct an annual ESCO survey and should strive to achieve 100 percent ESCO participation by ESCOs operating in its service territory. The survey is intended to gauge ESCOs' satisfaction with and understanding of the Company's service available to them and to identify potential enhancements.

A survey is presently being performed, and Con Edison will consult with Staff to determine if any changes need to be made to it. As necessary during the Electric Rate Plan, Con Edison will continue to consult with Staff about changes to the survey. Con Edison will report the results of each survey and its plans for addressing ESCO concerns identified by the survey, if any, in the July 31 Retail Access Report described in Section F.9.

**8. Competition Awareness and Understanding Survey**

Con Edison will survey its residential and small non-residential customers annually for the purpose of tracking changes in customer awareness and understanding of competition in the electric market. The survey should also be used to evaluate the effectiveness of the Company's programs and to identify potential enhancements. The survey will be developed by Con Edison with input from Staff. This survey should be similar in content and timing to the Company's awareness and understanding survey of residential and small non-residential gas customers. The Company will report the results of the survey in the July 31 Retail Access Report described in Section F.9.

**9. Retail Access Report**

On January 31 and July 31 of each Rate Year, Con Edison will submit to the Director of the Office of Retail Market Development, with copies to all interested Signatory Parties, a report (the “Retail Access Report”) that includes the following:

a. Competition Outreach and Education

i) a list and description of activities and expenditures for the prior six months;

ii) a list and description of planned activities and expenditures for the subsequent six months or longer, as appropriate;

iii) Customer Awareness and Understanding Survey results, as appropriate;

iv) ESCO Satisfaction Survey results, as appropriate; and

v) the Company's plans for addressing improvement opportunities identified by the surveys.

b. RCP Program

i) a list and description of activities and expenditures for the prior six months; and

ii) a list and description of planned activities and expenditures for the subsequent six months or longer, as appropriate.

c. Migration Data

i) the total number of customers migrated during the prior six months, including customers who have migrated from ESCO to ESCO or who have resumed taking bundled service from the Company after previously migrating to ESCOs; and

ii) migration data associated with the Retail Marketing Program for the prior six months.

For the reports due January 31 each Rate Year, the prior six months means the period July 1 through December 31 and the subsequent six months means the period January 1 through June 30; for the reports due July 31 each Rate Year, the prior six months means the period January 1 through June 30 and the subsequent six months means the period July 1 through December 31. The last report will be for the three months ended March 31, 2008.

The Company will provide to Staff, pursuant to the Commission's trade secret regulations, commercially sensitive migration data and a confidential report of the raw data obtained during the survey processes, including the names of the participating ESCOs but without attribution of the raw data to individual ESCOs, and excluding the names of participating customers. The Company will provide to interested Signatory Parties high-level summaries of the feedback received from ESCOs and customers during the survey processes, the Company's plans to address concerns, if any, identified by the ESCOs during the survey process, and non-commercially-sensitive migration data.

#### **10. Bill Format**

As part of the initiative established by the Gas/Steam Rate Order, Con Edison will meet with Staff, ESCOs and parties representing the interests of customers to discuss the Company's current bundled bill format and possible redesign and/or formatting changes, consistent with Commission directives in Cases 00-M-0504 (Unbundling Track), Case 03-E-0188 (Renewable Portfolio Standard), and any other relevant Commission policy. The goal of this discussion will be to improve bill understandability, to revise the price to compare, and to present billing information and charges in clear, plain language.

The Company will seek and consider customer input on the working draft of the redesigned bill.

**11. Metering Initiatives**

Con Edison may implement its proposed strategic Automated Meter Reading (“AMR”) and remote meter reading replacement programs. Con Edison may implement saturated AMR in Westchester County, obsolete demand meter replacement, replacement of kWh meters for large commercial time-of-day customer installations, and inclusion of AMR modules for new meters if the Commission determines, in a generic review of competitive metering, that initiatives of these types are not anticompetitive or if the Commission issues no decision concerning competitive metering issues by December 31, 2005, whichever occurs first. The operating cost savings for these programs will be deferred for credit to customers; capital costs will be reconciled with the T&D capital expenditures as provided in Section D.3.

Certified meter service providers that are deemed eligible to participate in the Company's bidding process for meter installations will be invited to bid on such work in the event the Company decides to bid out that work.

If the Commission determines, in a generic review of competitive metering, that the Company's provision of interval data is not anticompetitive, or if the Commission issues no decision concerning competitive metering issues by December 31, 2005, whichever occurs first, the Company will file with the Commission a method of making available to customers with interval metering and operable telemetry capability data from such metering and an associated charge for the provision of such data.

**12. Retail Auction Pilot Program**

Within 60 days of the date of the Commission Order approving or adopting this Proposal, the Company, Staff and interested parties will convene a collaborative process to study the

appropriateness, feasibility, and possible implementation of a retail market auction pilot program for a segment of the mass market. No Signatory Party to this Proposal waives its right to object to the implementation of a pilot auction program.

**13. Customer Interaction**

Con Edison will instruct its customer service representatives to inform any customer contacting the Company to discontinue ESCO supply service that such customer should contact the ESCO before requesting to return to full service.

**14. Green Power**

Within 90 days of the date of the Commission Order approving or adopting this Proposal, the Company, Staff and interested parties agree to establish a collaborative to consider a proposal for a Green Power program in the Company's service territory.

**G. Reliability Performance Mechanism**

**1. Operation of Mechanism**

This electric service reliability performance mechanism ("reliability mechanism") will be in effect for Con Edison for the period January 1, 2005 through the end of the Electric Rate Plan and thereafter until electric base delivery rates are reset by the Commission. The measurement periods for the reliability mechanism performance metrics are stated in the description of each metric below.

This reliability mechanism establishes six performance metrics:

- a. Threshold Standards, consisting of system-wide performance targets;
- b. a Major Outage metric;
- c. a Program Standard for repairs to damaged poles;
- d. a Program Standard for the removal of temporary shunts;

e. a Program Standard for the repair of "no current" street lights, and traffic signals; and

f. a Program Standard for the replacement of over duty circuit breakers.

All revenue adjustments related to this reliability mechanism will come from shareholder funds and will be deferred for the benefit of ratepayers.

## **2. Exclusions**

The following exclusions will be applicable to operating performance under this reliability mechanism:

a. Any outages resulting from a major storm, as defined in 16 NYCRR Part 97 (for at least 10% of the customers interrupted within an operating area or customers out-of-service for at least 24 hours), except as otherwise noted; this includes secondary network interruptions that occur in an operating area during winter snow/ice events that meet the 16 NYCRR Part 97 definition (10%/24 hour rule).

b. Heat-related outages are not a major storm. However, the Company may petition the Commission for an exemption for an outage if the Company can prove that such outage, whether heat-related or not, was beyond the Company's control, taking into account all facts and circumstances.

c. Any incident resulting from a strike or a catastrophic event beyond the control of the Company, including but not limited to plane crash, water main break, or natural disasters (*e.g.*, hurricanes, floods, earthquakes).

d. Any incident where a problem beyond the Company's control involving generation or the bulk transmission system is the key factor in the outage, including, but not limited to, NYISO mandated load shedding. This criterion is not intended to exclude incidents that occur as a result of unsatisfactory performance by the Company.

### **3. Reporting**

The Company will prepare annual report(s) on its performance under this reliability mechanism. The annual report(s) will be filed by March 31<sup>st</sup> of each Rate Year with the Director of the Office of Electricity and Environment. Copies of the annual report(s) will be simultaneously provided to the New York City Department of Transportation (“NYCDOT”) Deputy Commissioner of Traffic Operations, the NYCDOT Director of Street Lighting, the Westchester County First Deputy Commissioner of Public Works, and the President of the Utility Workers Union of America, Local 1-2. The reports will state the: (a) Company’s annual system-wide performance under the Threshold Standards and identify whether a revenue adjustment is applicable and, if so, the amount of the revenue adjustment, (b) Company’s performance under the Major Outage metric and identify whether a revenue adjustment is applicable and, if so, the amount of the revenue adjustment, (c) Company’s performance under the Program Standards applicable during the period and identify whether a revenue adjustment is applicable and, if so, the amount of the revenue adjustment, and (d) basis and provide adequate support for all exclusions.

Within 45 days of any event that meets the Major Outage criteria, the Company will file an interim report on the event, containing, among other things, information pertinent to determining whether a revenue adjustment for the event is applicable. Any requests for exemption under Section G.2 must be made in the interim report.

### **4. Threshold Standards**

In Cases 90-E-1119, 95-E-0165, 96-E-0979, and 02-E-1240, the Commission adopted standards establishing minimum performance levels for both frequency and duration of service interruptions for the network and radial systems in the six operating areas of Con Edison's service territory. Under these standards, the frequency of service interruptions is measured by

the System Average Interruption Frequency Index (“SAIFI”), and the duration of service interruptions is measured by the Customer Average Interruption Duration Index (“CAIDI”). The minimum performance levels established in those cases are set forth as certain minimum SAIFI and CAIDI values. The System-Wide Performance Targets used for purposes of the Threshold Standards metric are as set forth below. The measurement periods for the Threshold Standards are successive 12-month periods ending December 31, 2005, 2006, and 2007. During each annual measurement period, Con Edison's year-end SAIFI, or frequency, index for its entire network system and its entire radial system will be measured against the respective SAIFI System-Wide Performance Targets. During each annual measurement period, Con Edison's year-end weighted average CAIDI, or duration, index for its entire network system and its entire radial system will be measured against the respective CAIDI System-Wide Performance Targets.

The Company’s annual performance in maintaining reliability must meet or be better than the SAIFI and CAIDI System-Wide Performance Targets. A total of \$18 million is at risk for performance not meeting those targets.

a. System-Wide Performance Target – CAIDI

A total of \$8 million per year is at risk for customer interruption duration performance, as follows:

	Threshold Target (hours)	Revenue Adjustment (millions)
Network duration	3.74	\$ 4.0
Radial duration	1.85	\$ 4.0

b. System-Wide Performance Target – SAIFI

A total of \$10 million per year is at risk for customer interruption frequency performance, as follows:

	Threshold Target	Revenue Adjustment (millions)
Network frequency	0.015	\$ 5.0
Radial frequency	0.530	\$ 5.0

## **5. Major Outages**

Effective April 1, 2005, the Company will be subject to a revenue adjustment of \$10 million for each network shutdown event or a radial system interruption event (a “Major Outage”).

Con Edison will be subject to a revenue adjustment for a Major Outage up to three times in each Rate Year. Beyond three Major Outage events, the effect of the Major Outage will be included in the SAIFI and CAIDI measurements. For purposes of this metric, a network shutdown event is defined as a loss of all supply feeders to any of the 57 secondary networks in Manhattan, Brooklyn, Queens, and the Bronx for three hours or more in duration. The 57 secondary networks are identified in Appendix K. If the Company creates any new second contingency networks during the Electric Rate Plan, those networks will be covered by this metric. A radial system interruption event is defined as the sustained interruption of service to 70,000 customers in a load area (as defined in the Company's Distribution Manual) for three hours or more.

Any single occurrence that results in multiple network shutdowns or radial system interruption events will result in only one revenue adjustment being assessed. An example is the loss of an area substation that shuts down two or more networks or a combination of network and radial system load.

This single occurrence exception will not apply if each Major Outage that takes place during any single occurrence results from separate and distinct causes. For example, if there are two network shutdowns during a single heat wave, and each network shutdown results from

failures on that particular network that were not beyond the Company's control, the single occurrence exception would not apply and two network shutdowns will be considered to have occurred.

To avoid multiple revenue adjustments for the same operating performance problem or occurrence, interruptions and customer hours of interruption associated with Major Outage revenue adjustments will be excluded from the appropriate year-end SAIFI and CAIDI calculations, except as noted above.

**6. Program Standards**

a. Pole Repair

i) Definitions

1. "Damaged Poles" are poles damaged by storm conditions, vehicle contact, or other circumstances, and that support existing equipment with temporary external bracing while not posing an immediate threat to the safety of the public or the distribution system.

2. "Double Damaged Poles" are poles damaged by storm conditions, vehicle contact, or other circumstances, and that are not capable of supporting existing equipment. In each of these cases, a new pole is installed next to the damaged pole and is braced to the damaged pole to safely support the damaged pole until the Company transfers equipment to the new pole.

3. "Repair," for purposes of this program standard, means transferring Company facilities to a new pole, and removing or "topping" the "damaged" pole.

ii) Performance Requirements

The Company will strive to repair all “Damaged Poles” and “Double Damaged Poles” in a timely manner.

Con Edison will make repairs, by December 31, 2005, to at least 90% of the “Damaged Poles” and “Double Damaged Poles” that exist on December 31, 2004. In the event the Company has not repaired at least 90% of those “Damaged Poles” and “Double Damaged Poles” by December 31, 2005, it will incur a revenue adjustment of \$1.5 million. The Company will repair all such existing “Damaged Poles” and “Double Damaged Poles” by June 30, 2006, except in extraordinary circumstances.

For all “Damaged Poles” and “Double Damaged Poles” that come into existence on or after January 1, 2005, Con Edison will make repairs within 30 days from the date the Company became aware of the “Damaged Pole” or “Double Damaged Pole” for at least 90% of these new “Damaged Poles” and “Double Damaged Poles”. In the event the Company does not achieve the 90% within 30 days threshold for “Damaged Poles” and “Double Damaged Poles” that come into existence in 2005, it will incur a revenue adjustment of \$1.5 million. In the event the Company does not achieve the 90% within 30 days threshold for “Damaged Poles” and “Double Damaged Poles” that come into existence during any of calendar years 2006 and 2007, it will incur a revenue adjustment of \$3 million for such year.

Con Edison will make repairs to all “Damaged Poles” and “Double Damaged Poles” that come into existence on or after January 1, 2005 within six months of the dates the poles are damaged.

iii) Storm Exclusion

In an effort to permit the Company to utilize labor resources most effectively and facilitate the restoration of customers, the Company may utilize up to 60 days to make repairs on 90% of poles that become “Damaged Poles” and “Double Damaged Poles” during qualifying major storm events as defined in 16 NYCRR Part 97. Where the Company does not immediately make repairs on its poles, the Company shall ensure that each “Damaged Pole” and “Double Damaged Pole” is safe for public and vehicle access.

iv) Extraordinary Circumstances Exception

Where the Company can demonstrate that extraordinary circumstances prevent a repair within the 30-day, 60-day, or six month time frames, as appropriate, that non-repair will not be considered in measuring the Company's compliance with these requirements. The determination of whether extraordinary circumstances exist will be made on a case-by-case basis and will be based on the particular facts and circumstances presented.

v) Reporting

The Company’s annual report(s) described in Section G.3 will: (i) report on "Damaged Poles" and "Double Damaged Poles" that come into existence from January 1 through December 31 of the prior year; (ii) provide the status of "Damaged Poles" and "Double Damaged Poles" that existed before January 1 of the prior year; (iii) identify the “Damaged Poles” and “Double Damaged Poles” that were not repaired; and (iv) describe the extraordinary circumstances, if any, that prevented the repairs from being made. For (i) and (ii), the report(s) will include, at a minimum, a listing of the damaged pole locations, the date the Company became aware of the problem at that location, and the date of the repair.

b. Shunt Removal

It is not the purpose of this metric to require Con Edison to eliminate the use of temporary shunts; to the contrary, the Signatory Parties recognize that temporary shunts may be needed to restore electric service pending permanent repairs. In cases where temporary shunts are used, the Company will strive to remove them and make permanent repairs in a timely manner.

To assist the Company in identifying the location of existing shunts, the NYCDOT has been conducting a survey of its facilities throughout New York City and identifying the locations of its and Con Edison's shunts. NYCDOT agrees to provide the results of the first phase of its survey to Con Edison by December 15, 2004. While this survey should be viewed as helpful, it does not supplant the Company's obligations related to this matter. That is, it is Con Edison's responsibility to identify all existing Company-installed shunts.

i) Definitions

1. "Temporary Shunts" are cables installed by the Company to temporarily maintain service continuity to a customer pending the permanent repair of a Company facility.

2. "Publicly Accessible Shunts" include street/sidewalk shunts and overhead to underground service shunts, including shunts to street lights, installed by the Company. Shunts installed within individual customer facilities, typically behind the customer's meter (called a "meter pan bridge") or inside the customer's end line box (called a "service bridge"), that are not accessible to the general public are not covered by this metric.

3. "Permanent Repair" means that the condition necessitating the shunt has been fully remediated and service has been restored by the Company to the customer's facility before the shunt is removed.

ii) Performance Requirements

The Company will not remove any shunt that will have the effect of leaving a streetlight or traffic signal without power, except for exigent safety reasons,<sup>20</sup> until the condition giving rise to the need for the shunt has been completely repaired. Further, it is Con Edison's responsibility to repair the conditions on its system that required the use of the temporary shunts.

Con Edison will make permanent repairs by December 31, 2005 to all shunts that exist on December 31, 2004 or incur a revenue adjustment of \$1.5 million. For all shunts that come into existence on or after January 1, 2005, Con Edison will make permanent repairs for at least 90% of these new cases within 90 days during the winter months, which are defined for purposes of this metric as January, February, March, April, November, and December, and at least 90% of these cases within 60 days during the remaining six months, May through October. Failure to reach the 90% threshold will result in the follow revenue adjustments:

*For Calendar Year 2005*

Winter Months	\$750,000
May – October	\$750,000

*For Calendar Years 2006 and 2007*

Winter Months	\$1,500,000
May – October	\$1,500,000

Con Edison will make permanent repairs in all cases in which temporary shunts are installed on or after January 1, 2005 within six months of the dates the shunts are installed.

The 60-day, 90-day and six month periods for making permanent repairs may be tolled in the event that, and for the period corresponding to, a third party (such as the municipal customer)

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<sup>20</sup> In such situations, and as appropriate, the Company either will replace its temporary shunt or effect the permanent repair.

must perform service at the site prior to, and as a precondition to, Con Edison's completion of work. The Company will be responsible for providing notice to the third party that its work is a precondition to the Company's work and for demonstrating the applicability of the tolling period.

iii) Extraordinary Circumstances Exception

Where the Company can demonstrate that extraordinary circumstances prevented a shunt repair within the 60-day, 90-day, or six month time frames, as appropriate, that non-repair will not be considered in measuring the Company's compliance with the above requirements. The determination of whether extraordinary circumstances exist will be made on a case-by-case basis and will be based on the particular facts and circumstances presented (*e.g.*, documentation demonstrating delays of more than 30 days in receiving street-opening permits from NYCDOT).

iv) Reporting

The Company's annual report(s) described in Section G.3 will: (i) report on shunts installed from January 1 through December 31 of the prior year; (ii) provide the status of shunts installed before January 1 of the prior year; (iii) identify the shunt locations that were not permanently repaired within the 60-day, 90-day, and six month periods described above; and (iv) describe the extraordinary circumstances, if any, that prevented the permanent repair of the shunts. For (i) and (ii), the report(s) will include, at a minimum, a listing of the shunt locations, the date the Company became aware of the problem at each such location, the date the shunt was installed, the date of the permanent repair, and the date the shunt was removed.

c. No Current Street Lights and Traffic Signals

i) Definitions

1. A "no current" is a location where Con Edison's electric service supplying power to municipal street lights or traffic signals is not working due to a

failure of Con Edison's service to the customer facility point, and the date that a "no current" comes into existence is the date of the "stop tag" notifying Con Edison of the "no current" condition.

2. "Permanent repair" means that service has been permanently restored by the Company to the customer's facility point.

ii) Performance Requirements

The Company will strive to make permanent repairs to all no currents (including both street lights and traffic signals) in a timely manner.

For all no currents that are in existence as of December 31, 2004, Con Edison will make permanent repairs no later than May 1, 2005, except in situations in which the Company can demonstrate that it could not complete its repair due to work required to be undertaken by third parties. For all no currents that come into existence on or after January 1, 2005, Con Edison will make permanent repairs for at least 90% of these new cases within 90 days during the winter months, which are defined for purposes of this metric as January, February, March, April, November, and December, and at least 80% of these new cases within 45 days during the remaining six months, May through October. The Company's total exposure each year under this metric will be \$2 million, as follows:

*For Calendar Years 2005 - 2007*

Winter Months	\$1,000,000
May – October	\$1,000,000

The Company will make permanent repairs to all no currents that come into existence on or after January 1, 2005 within six months of the dates they come into existence.

The 45-day, 90-day, and six month periods for making permanent repairs may be tolled in the event that, and for the period corresponding to, a third party (such as the municipal customer) must perform service at the site prior to, and as a precondition to, Con Edison's completion of work. The Company will be responsible for providing notice to the third party that its work is a precondition to the Company's work and for demonstrating the applicability of the tolling period.

iii) Extraordinary Circumstances Exception

Where the Company can demonstrate that extraordinary circumstances prevented a "no current" from being permanently repaired within the 45-day, 90-day, or six month time frames, as appropriate, that non-repair will not be considered in measuring the Company's compliance with the above requirements. The determination of whether extraordinary circumstances exist will be made on a case-by-case basis and will be based on the particular facts and circumstances presented (*e.g.*, documentation demonstrating delays of more than 30 days in receiving street-opening permits from NYCDOT).

iv) Reporting

The Company's annual report(s) described in Section G.3 will: (i) report on "no currents" that came into existence from January 1 through December 31 of the prior year; (ii) provide the status of "no currents" that existed before January 1 of the prior year; (iii) identify the "no current" locations that were not repaired within the 45-day, 90-day, and six month periods; and (iv) describe the extraordinary circumstances, if any, that prevented the permanent repair of the "no currents." For (i) and (ii), the report(s) will include, at a minimum, a listing of the "no current" locations, the date the Company became aware of the problem at each location, and the date of the permanent repair at each location.

d. Over-Duty Circuit Breakers

Many of the Company's substations' circuit breakers are at or over their fault current capacity. This situation has precluded the parallel operation of specific types of DG in certain areas of the system, and more specifically, has restricted the installation of primary grid-parallel synchronous on-site generators in areas served by these substations since these types of generators produce additional fault current, thus further straining the substations' circuit breakers. Elimination of over-duty circuit breakers and taking other reasonable steps necessary to enable the installation of synchronous generators is a priority because of the significant interest in the use of DG to address a variety of concerns.

i) Performance Requirements

The Company will accelerate its replacement schedule for 13 kV and 27 kV over-duty circuit breakers. Except upon the occurrence of extraordinary system conditions, the Company will replace a target of at least 60 over-duty circuit breakers during each Rate Year (the "Target Level"). This Target Level may be adjusted pursuant to the recommendations of the Fault Current Review Study established below for RY2 and RY3.

There will be no revenue adjustment applicable in RY1. Failure by the Company to achieve the sum of the Target Levels for over-duty circuit breaker replacements for RY2 and RY3 will result in a revenue adjustment of \$100,000 per breaker multiplied by the difference between the sum of the Target Levels for RY2 and RY3 and the number actually replaced. The maximum potential exposure under this metric is \$3 million during the Electric Rate Plan.

ii) Selection and Prioritization of Replacements

The Company will, to the extent practicable, seek to include over-duty circuit breaker replacements in situations where maximum fault currents are between 100 and 103% of the

breaker rating. The Company will seek input from interested Signatory Parties to this Proposal to assist in its prioritization of where to replace over-duty circuit breakers. The Company will meet with interested Signatory Parties for this purpose no later than 60 days of the date of the Commission Order approving or adopting this Proposal. Further, there will be at least one meeting of all interested DG parties annually to review implementation of the effort and to further address prioritization. This annual meeting should be done in conjunction with efforts to improve communication with the DG community discussed in Section J.4.

The prioritization process will consider such factors as circuit breaker duty ratings, predicted load growth, status of proposed/pending DG, combined heat and power, other similar projects, areas with critical human needs loads, and other reasonable criteria that the parties may identify.

iii) Extraordinary Circumstances Exception

Where the Company can demonstrate that extraordinary circumstances prevented it from achieving the sum of the Target Levels for RY2 and RY3, those circumstances will be factored in measuring the Company's compliance with the above requirements. The determination of whether extraordinary circumstances exist will be made on a case-by-case basis and will be based on the particular facts and circumstances presented.

iv) Reporting

The Company's annual reports described in Section G.3 will: (i) report on the number of over-duty breakers in existence from January 1 through December 31 of the prior year; (ii) provide the status the Company's efforts on replacing the over-duty breakers; (iii) identify all over-duty breakers that were replaced over the course of the prior year; and (iv) describe the

extraordinary circumstances, if any, that prevented the Company from achieving the target level for replacements.

v) Fault Current Review Study

Within 60 days of the date of the Commission Order approving or adopting this Proposal, the Company, in consultation with Staff and interested parties, will issue a request for proposals (“RFP”) for an independent study to be conducted to review its fault current over duty constraints in relation to synchronous generators. In a manner consistent with the Company's existing reliability criteria, the Fault Current Review Study should:

1. review the effects of fault current contribution from synchronous generators on the Company's substations;
2. develop measures for mitigating the problem in a cost-effective manner;
3. examine the extent to which the Company's efforts in replacing over-duty breakers can be further accelerated;
4. develop best practices based on the success that other electric distribution utilities or states have had in installing synchronous on-site generation;
5. examine and recommend alternative measures that provide a measure of relief in lieu of circuit breaker replacement; some of these measures may be considered temporary and others could defer circuit breaker replacement; examples include evaluation of the fault current contribution of dual mode inverters that 'line commutate' to run grid parallel and 'self-commutate' (analogous to synchronous) to run stand-alone, and evaluation of the feasibility of using Fault Current Limiters under development by EPRI; and

6. identify other creative approaches that are not currently being pursued.

In preparing the Fault Current Review Study, the consultant should, as appropriate, solicit comments from the parties who were involved in the preparation of the RFP. This Study, the cost of which the Company will be permitted to defer for later recovery, should be completed and filed within nine months of the date of the Commission Order approving or adopting this Proposal.

vi) Technology Research and Development and Demonstration Projects

The Company will continue collaborative efforts and, where effective, support acceleration of research activities on technologies that reduce the impact of fault current from synchronous generators. In cooperation with NYSERDA, the United States Department of Energy, and others, as appropriate, the Company should develop several research and/or demonstration projects using new fault-mitigation technologies during the Electric Rate Plan. The Company may request recovery of any incremental research and development costs incurred in developing the research and/or demonstration projects.

**H. Compliance with Environmental, Health, and Safety Policy**

Consistent with Con Edison's Standards of Business Conduct, the Company's Environmental, Health, and Safety ("EH&S") Policy makes environment, health, and safety considerations an integral part of the Company's business and operating practices. For the purposes of the Company's operations, the Company's management and represented employees both understand that the term "safety" includes and fully encompasses the written operating practices and procedures of the Company. The EH&S Policy commits Con Edison to continuously strive to improve EH&S performance and holds all employees accountable for knowing EH&S

requirements applicable to their assigned responsibilities and for using the information in planning and completing their work. Compliance is never optional, including the timely and accurate reporting of violations or other reportable events.

If employees have an EH&S concern, they should first report the concern to their immediate supervisor in accordance with the Company's Standards of Business Conduct. Every supervisor is responsible for handling these concerns courteously and honestly and pursuant to the Company's written policies and operating procedures and practices. Employees may also contact their EH&S Manager or local EH&S representative, respective department managers and officers, Con Edison's General Auditor, or Con Edison's Corporate Ombudsman.

## **I. Customer Service Issues**

### **1. Customer Service Performance Mechanism**

The Customer Service Performance Mechanism ("CSPM") described herein will be in effect for the Electric Rate Plan and thereafter until electric base delivery service rates are reset by the Commission.

#### **a. Operation of Mechanism**

The CSPM establishes threshold performance levels for designated aspects of customer service. The areas of customer service and the potential revenue adjustments are set forth on Appendix L. Failure by the Company to achieve the specified targets will result in a revenue adjustment of up to \$36.0 million.

#### **b. Exclusions**

Abnormal operating conditions are deemed to occur during any period of emergency, catastrophe, strike, natural disaster, major storm, or other unusual event not in the Company's

control affecting more than 10 percent of the customers in an operating area during any month. A major storm will have the same definition as set forth in Section G.2.

i) In the event abnormal operating conditions in one of the Company's six operating areas affects the Company's ability to perform any activity that is part of this CSPM, the data for the operating area(s) experiencing the abnormal operating condition will be omitted from the calculation and the Company's results in the measured areas will be measured only by the data from the other operating area(s) for the period of the abnormal operating condition.

ii) If abnormal operating conditions occur in more than three operating areas so that monthly results cannot be measured for a given activity, the month will be eliminated in the calculation of the actual annual average performance for that activity.

iii) In the event that abnormal operating conditions affecting the Company's ability to perform a given activity occur in more than three operating areas for an entire Rate Year, the activity will be inapplicable in that Rate Year and the associated revenue adjustment amount for that activity will also be inapplicable in that Rate Year.

iv) If changes in Company operations render it impractical to continue to measure performance in any activity, the measurement method and/or threshold standard will be revised or an alternative method or activity selected for the remainder of the period during which this CSPM is operative. Any such modifications must be mutually agreed upon by Staff and the Company in writing. In the event the parties cannot agree to a modification, the revenue adjustment amount associated with the activity that can no longer be measured will be reallocated among the other activities for the remainder of the period during which this CSPM is

operative, subject to Con Edison's right to petition the Commission to establish an alternative method or activity.

c. Reporting

The Company will prepare an annual report on its performance that will be filed with the Director of the Office of Consumer Services by May 31 following each Rate Year. Each report will state: (i) any changes anticipated to be implemented in the following measurement period in any activity reflected in this Proposal, (ii) a summary of any significant changes in operations which led to the reported performance level during the measurement period; and (iii) whether a revenue adjustment is applicable, and if so, the amount of the revenue adjustment. The Company will maintain sufficient records to support such reports.

d. Threshold Standards

i) The Company's threshold performance will be measured based on the Company's cumulative monthly performance for each Rate Year for the following nine activities, except as otherwise noted.

1. Commission Complaints

Con Edison's Commission complaint performance measure will be the 12-month complaint rate reported by the Office of Consumer Services each year for the 12-month period ending in March. A complaint is a contact by a customer, applicant, or customer's or applicant's agent that follows a contact with the Company about the issue of concern as to which the Company, having been given a reasonable opportunity to address the matter, has not satisfied the customer. The issue of concern must be one within the Company's responsibility and control, including an action, practice or conduct of the Company or its employees, not matters within the responsibility or control of an alternative service provider. Complaints about high bills resulting

from the price of electric energy and capacity or the operation of the Company's MSC and that do not otherwise present just cause for charging a complaint against the Company will not be counted as complaints for the purposes of the CSPM. One or more contacts by a rate consultant raising the same issue as to more than one account, whether such contacts are made at the same time or different times, will not be counted as more than one complaint if the issue is under consideration by the Department or the Commission and no Company deficiency is found. Contacts by customers about the Shared Meter Law will not be complaints if the contact is about the requirements of the Shared Meter Law and no Company deficiency is found.

## 2. Days to Complete Routine Investigation

The number of calendar days to complete investigation of a customer inquiry, received by telephone, mail, facsimile or in person that cannot be resolved on the day it is received. Performance in any month will be measured by the number of investigations completed within 30 calendar days, when the date of completion falls within that month, divided by the total number of investigations completed during the reporting month.

## 3. Call Answer Rate

(a) For RY1, "Call Answer Rate" is the percentage of calls answered by the Company Call Centers between the hours of 9:00 AM and 5:00 PM Monday through Friday (excluding holidays). The performance rate is the sum of the system-wide number of calls answered divided by the sum of the system-wide number of calls offered. Calls offered are calls received by the operating areas' Automatic Call Distributors. Calls abandoned are calls where the customer hangs up before the voice response unit ("VRU") responds or when the customer chooses to speak to a representative but hangs up before contact is made. The number of calls answered is equal to the number of calls received minus the number of calls abandoned.

(b) For RY2 and RY3, “Call Answer Rate” is the percentage of calls answered by a Company representative within 30 seconds of the customer’s request to speak to a representative between the hours of 9:00 AM and 5:00 PM Monday through Friday (excluding holidays). The performance rate is the sum of the system-wide number of calls answered by a representative within 30 seconds divided by the sum of the system-wide number of calls answered by representatives.

4. Satisfaction of Callers, Visitors, and Emergency Center Contacts

The average of the satisfaction index ratings on the semi-annual surveys (conducted during the second and fourth quarters) of callers, visitors, and emergency center contacts (electric portion only) conducted by Communication Research Associates or other professional survey organization during each Rate Year.

5. Days to Complete – Initial Phase

With respect to work orders, the average number of business days from receipt of the customer’s request for an electric non-vault service job by the Energy Services Department to issuance of a service layout to the customer for all initial phase jobs completed in the reporting month. The date of receipt of the customer’s request will be the earlier of (i) the date on the Contractor Work Request Form; or (ii) the receipt date entered in the Commercial Operations Reporting System. The date of issuance of the service layout (Form 2-80) to the customer will be the earlier of (i) the date shown in the service date confirmation letter issued to the customer; or (ii) the completion date recorded in the Commercial Operations Reporting System.

6. Days to Complete – Final Phase

With respect to work orders on all non-vault electric final phase jobs completed in the reporting month, the average number of business days measured from receipt of a city certificate

or completion of final inspection, whichever is later, to the date of final inspection displayed on the “field call sheets,” which must be retained until Staff has verified the reported performance level.

7. Percentage of Meters Read on Schedule

A percentage that is determined by dividing the sum of actual meter readings obtained in the Rate Year by the total number of meters scheduled to be read for all operating areas in that Rate Year. Actual meter readings are readings obtained from meter readers in the field, or through receipt of completed customer “drop cards” or through phoned-in readings from customers, either directly to a customer service representative or by message left on a VRU, or input via the Internet.

8. Billing Accuracy

The number of bills not adjusted as a result of a Company error in the Rate Year divided by the total number of bills rendered during the Rate Year.

9. Outage Notification

The specific activities for communicating with customers, the public, and other external interests during defined electric service outage events as described by the Commission in Case 00-M-0095.<sup>21</sup>

ii) For each activity, annual performance that fails to meet the applicable threshold performance standard will result in a revenue adjustment in the amount noted in Appendix L. All revenue adjustments related to this CSPM will come from shareholder funds and will be deferred for the benefit of ratepayers.

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<sup>21</sup> Case 00-M-0095, supra, Order Approving Outage Notification Incentive Mechanism, (issued April 23, 2002).

## **2. Outreach and Education**

Con Edison will continue to develop and implement outreach and education activities, programs and materials that will aid its customers in understanding their rights and responsibilities as utility customers. The Company will continue to survey its customers and to include appropriate questions in the surveys to evaluate its customer outreach program and identify areas where its outreach efforts could be further strengthened or improved. The Company will file a summary and assessment of its customer education efforts with the Director of the Office of Consumer Services by September 30 of each Rate Year.

## **3. Streetlights**

### **a. NYC Street Light Billing System**

Con Edison, NYCDOT, and NYPA agree to work together to jointly define the functional requirements for a new New York City street light billing system that will: (i) include a verifiable, electronic billing register; (ii) produce accurate bills based on the data contained in the register; and (iii) provide appropriate audit trails so that Con Edison, NYCDOT, and NYPA can verify the accuracy of the bills produced by the system, including the accuracy of the number of facilities billed.

The functional requirements definition will include the source of the billing data to be used in the new system, the content of the data, the process and rules for exchanging information electronically among Con Edison, NYCDOT, and NYPA, the process and rules for adding and removing service locations and introducing new or different lighting types or sizes, the responsibilities for data ownership, the viewing and search capabilities needed by each party, the rules for retaining and archiving historical data, the system controls, an audit process for periodic comparisons of the contents of the billing register to actual street conditions and reconciliation to

bills to the extent necessary and appropriate, and the security rules for the new system and its data.

Upon completion of the functional requirements definition, Con Edison will create a development and implementation plan for the new system, including target dates for the major development milestones, including technical design, programming, data conversion, unit testing, systems testing, user acceptance by Con Edison, NYCDOT, and NYPA, and implementation. Once Con Edison develops the system, implementation will commence upon acceptance of the system by NYCDOT and NYPA.

Con Edison, NYCDOT, and NYPA will each assign a point person having the appropriate decision making authority to represent it in this process. In addition, Con Edison will assign a project manager from its Information Resources organization. Con Edison, NYCDOT, and NYPA will endeavor to complete the functional requirements definition phase within 60 days of that date of the Commission Order approving or adopting this Proposal. Those parties have set November 1, 2005 as a target date for implementing the new system, recognizing that this target date may be revisited, and may be reset, as necessary and appropriate, once the functional requirements definition phase is complete and the implementation plan is developed.

b. Street Light Burning Hours

The New York City streetlight annual burning hours in Leaf 18 of the PASNY No. 4 rate schedule for light sensitive control devices for normal years will be reduced from 4,270 hours to 4,100 hours.

c. New Street Lights Service Initiation

(i) Con Edison will energize at least 85% of new streetlights within a 90-day period and all new streetlights within six months, which periods will commence upon Con Edison's receipt of notice from NYCDOT containing all necessary information regarding

the new streetlight(s); provided, however, such 90-day and six month periods will be tolled for periods where the Company is unable to access the site(s) due to conditions beyond the Company's reasonable control (*e.g.*, NYCDOT must perform work at the site as a precondition to the Company's completion of work; the municipality declares a snow emergency).

(ii) Con Edison and NYCDOT will continue to develop a verifiable, electronic process whereby (i) NYCDOT will provide notice to Con Edison when a new streetlight is ready to be energized by Con Edison (content of such notice also to be developed); (ii) NYCDOT can verify receipt of such notice by Con Edison; and (iii) Con Edison and NYCDOT can assess the status of the work on each streetlight as compared to the 90-day and six month periods for energization of service. Con Edison and NYCDOT will work to finalize this process and submit a report with respect to the agreed upon procedure to the Director of the Office of Consumer Services by April 1, 2005.

d. Streetlight Task Force

There is a Streetlight Task Force comprised of representatives from the Company and NYCDOT. The Task Force will remain in place throughout the Electric Rate Plan, unless the Company and NYCDOT mutually agree otherwise.

**J. Demand Management**

The Signatory Parties agree that the following measures should be undertaken to address and promote energy efficiency and demand management and improve environmental quality in Con Edison's service territory.

**1. Demand Management Goals**

The NYISO expects that peak load in Zones I and J of Con Edison's service territory will grow by 535 MW from the summer of 2005 through the summer of 2008, including any impact

of participation in the NYISO Emergency Demand Response Program (“EDRP”). See NYISO's 2004 Load & Capacity Book, Table 1-2 on page 5. To meet the expected peak load growth of 535 MW without the need for additional generation and potential additional infrastructure expansion, and to promote EE and DG, the Signatory Parties agree to develop an Action Plan on how to better implement demand management goals and increase the effectiveness of the NYSERDA programs funded through the System Benefits Charge (“SBC”) III.

a. System Benefits Charge Programs

The efforts of NYSERDA in administering SBC II programs, which are nearly fully subscribed, are expected to yield up to 250 MW of EE/DG/load management (“LM”) in Con Edison's service territory during the Electric Rate Plan. Of this amount, 80 MW can be attributed to programs providing permanent EE/DG measures. Should the SBC Program be renewed or extended at the current funding level, it is expected that the SBC III programs will achieve an additional 300 MW, including 120 MW of permanent EE/DG measures during the Electric Rate Plan.

b. Targeted Energy Efficiency/Distributed Generation

Additionally, the Company will issue an RFP or other offerings seeking up to 150 MW of targeted EE/DG initiatives to reduce load demands in selected constrained networks, recognizing that EE/DG may provide system relief. To the extent that Con Edison determines that it cannot achieve the full amount of this level during the Electric Rate Plan, it will transfer the remaining portion of the 150 MW to the system-wide EE/DG/LM program operated by NYSERDA.

c. Distributed Generation

The Company will take certain measures, as detailed below, to facilitate DG development in its service territory.

d. System-Wide Energy Efficiency/Distributed Generation/  
Load Management Program

Given the uniqueness of the Company's service territory and the projected growth in peak demand described above, the Company will fund during the Electric Rate Plan a system-wide EE/DG/LM program operated by NYSERDA of up to 300 MW, including any shortfall in targeted EE/DG, that is incremental to existing and future programs funded by the SBC.

e. Incentive

If superior achievement is reached by the Company for increasing participation in various EE/DG/LM programs, the Company is permitted to earn an incentive, as detailed below.

**2. Action Plan**

Within 30 days of the date of the Commission Order approving or adopting this Proposal, Staff will initiate a collaborative process (“Collaborative”), to be chaired by NYSERDA, and inviting Con Edison, New York City Economic Development Corporation (“NYCEDC”), NYISO, New York State Consumer Protection Board, COW, customer groups, EE providers, DG providers, environmental groups, low income advocates, and other interested parties to discuss EE and demand response initiatives within Con Edison's service territory. The Collaborative will, at its outset, include no more than 15 members. If more than 15 members seek to join the Collaborative, parties with common interests will meet amongst themselves and appoint an appropriate representative(s). After an attempt to consolidate representation, the members of the Collaborative, upon consensus, may expand membership as appropriate to ensure that all interested and necessary parties have representation in the Collaborative.

The Collaborative will have the responsibility for the development of an Action Plan for Con Edison and others to significantly stimulate participation in existing EE/DG/LM programs, particularly the SBC III and system-wide programs, and identifying additional NYSERDA and

NYISO-sponsored demand management opportunities within Con Edison's service territory. The Collaborative will not seek to duplicate or conflict with the workings and recommendations of any SBC Advisory Group, with regard to any SBC program. NYSERDA will file the Action Plan with the Commission, for information purposes, within 180 days of the date of the Commission Order approving or adopting this Proposal.

The Action Plan will focus on:

- a. identifying and analyzing methods to increase participation in EE/DG/LM programs;
- b. reviewing Con Edison's process for promoting existing EE/DG/LM to determine if and how further enhancements can be made;
- c. offering recommendations to NYSERDA and NYISO for new initiatives designed to further stimulate participation in their EE/DG/LM programs;
- d. reviewing general DG and EE/DG/LM programs for possible coordination of those efforts with a targeted EE/DG program;
- e. developing a strategy for cooperation among relevant parties (*e.g.*, Con Edison, NYSERDA, NYISO) on a regular basis to maximize the effectiveness and avoid duplication of existing and future EE/DG/LM programs;
- f. assessing the Company's EE-related outreach and education efforts to determine if further enhancements can be made;
- g. reviewing and, if necessary, enhancing the skills of the Company's account executives with regards to EE/DG/LM issues;
- h. tracking the number of customer calls related to EE/DG/LM at a designated toll free number for demand management;

- i. developing potential marketing and sales plans to support program goals;
- j. reviewing existing measurement and verification protocols for use in tracking programs;
- k. coordinating with NYPA's EE/DG/LM initiatives;
- l. identifying the means and impediments to shifting load away from electric chillers to non-electric chillers and other technologies;
- m. developing a definition of clean DG for the purposes of the programs discussed in this Proposal, based on existing applicable regulations;
- n. examining the opportunity for ESCOs to adjust their installed capacity (“ICAP”) buying requirements for any service classifications based on Company-approved, objective metrics and for offering customers the right to measure use at system peak for purposes of setting ICAP responsibility through an approved Meter Data Service Provider, taking into account the potential revenue impacts on customers and the Company;
- o. considering legislative and regulatory opportunities, such as improvements in energy building codes and establishing state and federal EE standards for residential and commercial products, that would achieve EE load reductions in Con Edison's service territory; and
- p. maximizing the effectiveness of SBC II programs and seeking ways to expand them for use in the system-wide programs.

### **3. Targeted Energy Efficiency/Distributed Generation**

The Company will develop and implement the targeted EE/DG load reduction initiative, involving investment in at least 150 MW of targeted EE/DG load reductions intended to defer and possibly avoid T&D infrastructure investments, in cooperation with NYSERDA and in coordination with the members of the Collaborative.

Within 45 days of the date of the Commission Order approving or adopting this Proposal, the Company will schedule a meeting of the Collaborative to begin discussions on the targeted EE/DG initiative and to review the lessons learned from the Company's recent targeted demand management RFP. Any individual entity that works directly on the development of the targeted EE/DG load reduction initiative will be precluded from bidding on the offerings stemming from the initiative. In addition, all entities participating in the development of the targeted EE/DG initiative will be required to sign a confidentiality agreement that prohibits their disclosure of information to any potential program participant(s) in the ensuing targeted EE/DG RFP and/or other offerings.

In advance of the issuance of the targeted EE/DG RFP and/or other offerings, the Company will design a process for identifying customers in targeted load areas who are candidates for targeted EE/DG programs, taking into consideration the confidentiality of the Company's customers and other information. The targeted EE/DG RFP and/or other offerings will include a map of the targeted load areas, subject to security concerns and appropriate disclaimers and cautions. A targeted EE/DG RFP and/or other offering(s) will be issued by the Company beginning within nine months of the date of the Commission Order approving or adopting this Proposal.

The targeted EE/DG load reduction initiative will be subject to a price cap on an average initiative-wide per kWh basis that is equivalent to the level NYSERDA spent statewide for eight of nine business/institutional programs (the curtailable load program is excluded) from 1998 – 2003, including incentive and implementation costs to achieve savings thus far, adjusted for inflation and higher NYC costs (25%), and except that the price cap will be increased to allow payments to reflect the present value of the deferral of the T&D reinforcements under

consideration in the subject area.<sup>22</sup> The cap for this effort is \$112 million plus the equivalent of the then-applicable NYSERDA administrative and evaluation fee percentages under the SBC programs, which is equivalent to what NYSERDA will receive for the system-wide programs, excluding the present value of the deferral of T&D reinforcements. Following receipt of bids, Con Edison may, as appropriate, seek permission from the Commission to revise the cap.

The Company will inform NYSERDA and all members of the Collaborative by December 31 of each Rate Year of its progress in achieving the 150 MW level for the targeted EE/DG initiative.

#### **4. Distributed Generation**

To further promote the interconnection of DG, the Company will post on its web site appropriate DG information, including its *Handbook for General Requirements for Electrical Service to Dispersed Generation Customers*, references to the Commission's Standardized Interconnection Requirements (“SIR”), application instructions for DG interconnection, and the name of and contact information for the Company's designee responsible for managing all aspects of the DG interconnection application process.

The Company will also work with the DG community to increase the level of education with respect to DG. Additionally, the Company will provide to interested customers information identifying any operating areas (*e.g.*, a map) without fault current limitations and a schedule of planned upgrades of breakers in operating areas with fault current limitations. This information will first be made available within 30 days of the date of the Commission Order approving or adopting this Proposal and will be updated at least semi-annually thereafter. The information

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<sup>22</sup> Customers that do not pay the MAC are free to participate in the targeted EE/DG load reduction initiative; however, payment for their participation will be limited to the present value of the deferral of T&D reinforcements.

will include appropriate cautions and disclaimers, including that it is subject to change without notice based on changing circumstances.

In order to ensure timely treatment of DG interconnection applications for customers above the 2 MW SIR limits, but below 5 MW, the Company agrees to apply SIR timing requirements for DG units below 2 MW to those DG units up to 5 MW.

The Company will provide on a semi-annual basis to Staff and participants in the Collaborative a report on the status of DG interconnections. The report will, at a minimum, include:

- a. the status of all interconnection proposals in progress during the period, and, for proposals that were denied or rejected, the reason(s) for the denial or rejection;
- b. type of prime mover (*e.g.*, micro-turbine, fuel cell);
- c. type of generator (induction or synchronous);
- d. general description of type of installation and mode of operation (*i.e.*, size, fuel, peaking, base load, grid-parallel vs. grid-isolated, grid backup);
- e. type of system modification required by the Company with an order of magnitude cost estimate;
- f. operating area corresponding to the map described above;
- g. for completed projects, total time and cost for the Company (subject to appropriate customer consent); and
- h. percent of applications that were not handled within the time limits established by the applicable SIR, including application of those limits to DG customers above 2 MW, but below 5 MW, with explanations for time-overruns.

The Company will host meetings of interested parties, as necessary, to review the findings of the reports and to consider recommendations for actions during future periods.

**5. System-Wide Demand Management Programs**

As provided above, Con Edison will provide funding to NYSERDA at a level sufficient for NYSERDA to procure at least 150 MW, and up to 300 MW, of system-wide EE/DG/LM load reductions that are incremental to NYSERDA's SBC-funded (SBC II and III) programs.

The EE/DG/LM system-wide program will be administered by NYSERDA, in coordination with the Company, Staff, NYCEDC, and COW, and with the input of other interested parties. The system-wide program may be implemented by NYSERDA as new programs or as expansions of existing NYSERDA SBC-funded programs. The Company agrees to provide NYSERDA with available customer data, including such data as may be identified by the Action Plan, subject to confidentiality concerns, to facilitate NYSERDA's programs.

NYSERDA agrees to implement an evaluation process for the system-wide EE/DG/LM program and will report to the Commission on the program annually. NYSERDA agrees to use SBC funding to first achieve, through contracts, at least 250 MW of EE/DG/LM under SBC II and 300 MW under SBC III within Con Edison's service territory. Additional program efforts will be funded by Con Edison during the Electric Rate Plan, through a contractual arrangement acceptable to Con Edison and NYSERDA, up until the system-wide target is reached. With the stated exception of the targeted EE/DG load reduction initiative, customers that do not pay the MAC are not eligible for the system-wide EE/DG/LM program.

Con Edison's funding will be capped on an average initiative-wide per kWh basis at the level NYSERDA spent statewide for eight of nine business/institutional programs (the curtailable load program is excluded) from 1998-2003, including incentive payments, implementation costs and an administrative fee to NYSERDA, including any fee for program

evaluation, adjusted for inflation and higher NYC costs (25%). On this basis, a 150 MW system-wide program would require Con Edison to fund NYSERDA with no more than approximately \$112 million in program costs plus the then-applicable administrative and evaluation fee percentages under the SBC programs over the Electric Rate Plan. Should the 150 MW system-wide program be expanded due to any shortfall in the targeted EE/DG initiative, the amount of funding by Con Edison to NYSERDA will be increased by a proportionate amount.

Because NYSERDA SBC-funded programs are a partial basis for meeting projected load growth, and because the system-wide EE/DG/LM program may be implemented through expansion of SBC-funded programs, the Company agrees that in any of its written or oral communications, Con Edison will support extension of the NYSERDA-administered SBC program at least at existing SBC funding levels. NYSERDA will report to the Commission, Con Edison, and the members of the Collaborative on a quarterly basis the amounts of demand reductions achieved in Con Edison's service territory under its various programs.

#### **6. Generally Applicable Commitments**

The Company agrees to appoint EE/DG/LM coordinator(s) to provide EE/DG/LM program-related information to large commercial and industrial customers. In addition, the Company will provide a toll-free phone number for residential and small commercial and industrial customers for their informational needs on EE/DG/LM.

The Company will continue to develop detailed annual forecasts of T&D capital budget requirements and will identify for each major T&D project (*i.e.*, projects of \$10 million or more), the location, rationale, scope, estimated capital costs, appropriate load, and other data. This information will be included in the Company's annual reports described in Section D.3. The Company will evaluate and implement cost-effective measures as alternatives to major T&D

projects that defer major T&D system projects through the use of technologies or services that could reduce peak T&D loads.

## **7. Cost Recovery**

Con Edison may recover the direct cost of both the targeted and system-wide programs and associated lost revenues in the MAC over a reasonable period when incurred. These costs will be net of the value of the deferred T&D capital expenditures under the targeted EE/DG initiative (which is addressed in Section D.3) but will not be reduced by avoided or avoidable costs. The Company and NYSERDA will, in consultation with Staff, develop a schedule for Con Edison's payments to NYSERDA reasonably based on NYSERDA's payment obligation for system-wide programs; such payments will be recovered through the MAC over a reasonable period. Lost delivery revenues will be recovered as realized up until rates are reset and the sales forecast is adjusted to reflect these measures. Within 120 days from the date of the Commission Order approving or adopting this Proposal, the Company will provide Staff and the members of the Collaborative the procedures that will be used to calculate lost revenues.

## **8. Incentive Mechanism**

In order to encourage the Company to take all actions within its control to promote participation of its customers in NYSERDA SBC III-funded programs for EE/DG/LM, the targeted EE/DG initiative, the system-wide EE/DG/LM program, and the NYISO's EDRP (as discounted by the NYISO) and Special Case Resource ("SCR") programs, including reductions or additional participation achieved by ESCOs, curtailment service providers, and the Company's tariffed demand response programs, the Company is eligible to receive an incentive for attainment of incremental MW participation in each of the programs listed above. In each Rate Year, subject to the thresholds set forth below, the Company will be eligible to receive an

incentive of \$22,500 for every MW achieved that year through these actions, up to a maximum of \$15,187,500, representing an increment of 675 MW during the Electric Rate Plan.

Con Edison's ability to earn an incentive is subject to the achievement of certain threshold levels. In RY1, the threshold level is 100 MW, in RY2 it is 200 MW, and in RY3 it is 300 MW; these annual thresholds are not cumulative. Once the threshold for each Rate Year is achieved, the Company will recover proportionately for incremental MW achieved (*e.g.*, if the Company achieves 120 MW in RY1, it would be eligible to receive an incentive of \$2,700,000 [120 MW x \$22,500/MW]; if the Company achieves an additional 85 MW in RY2, it would be eligible to receive an additional incentive of \$1,912,500 in RY2 [85 MW x \$22,500/MW]). The Company will not be entitled to receive an incentive for EDRP or SCR programs in excess of 100 MW over the Electric Rate Plan to the extent that enrollment in those programs results from relaxation of the New York State Department of Environmental Conservation's ("NYSDEC") restrictions on emergency on-site generation. The Company will recover any incentive over a reasonable period through the MAC.

The Company will file an annual report with the Commission, within a reasonable time period after the end of each Rate Year, on any incentives earned hereunder. The report will, at a minimum, explain the basis of any incentives the Company is seeking.

**K. System Reliability Assurance**

**1. Scope of Study**

In coordination with the ongoing Comprehensive Reliability Planning Process for Reliability Needs of the NYISO and such modifications thereto as may be directed by the FERC, and in order to assure the long-term reliability of the Company's bulk power system, particularly in New York City, the Company will develop a Study ("Study") that examines the supply and

demand side resource options that will be needed to adequately meet system demand in the next 10 years (the “Study Period”). While that time frame is beyond the duration of the Electric Rate Plan, the design, approval, and construction process for new or repowered facilities necessitates analysis and planning well in advance of system needs. The Study will acknowledge New York’s competitive electric market and any findings will be consistent with a competitive environment.

The Study will examine: (i) the NYISO’s current 80% minimum in-City locational reliability requirement, and the effects of any revisions thereto as may be made prior to completion of the Study or that Con Edison may reasonably anticipate in the future due to load growth or other changing circumstances during the Study Period; and (ii) the feasibility of both new and repowered generation plants, demand-side resources, and additional bulk transmission lines as a means of meeting the expected load growth, accommodating retirements and enhancing competition in the Company service territory in the Study Period. The Study will review and make preliminary recommendations concerning potential means of facilitating the competitive development of generation, transmission, and demand-side resources needed for system reliability, including, but not limited to, the use of auctions and long-term power purchase agreements.

The Study should give appropriate consideration to cost-benefit calculations and the reliability impact of each potential option, as well as such factors as the adequacy of fuel supplies, the desire for diversity of both fuel supplies and generation resources, Homeland Security needs and system security concerns, City land use limitations, and environmental and health issues. The Study should also be consistent with the Commission’s Statement of Policy of August 25, 2004 in Case 00-M-0504.

## **2. Jurisdictional Setting**

The parties hereto recognize that the NYISO has filed with the FERC an Agreement between the NYISO and the New York Transmission Owners on the Comprehensive Reliability Planning Process, and that the Company will have rights and obligations as set forth in that Agreement if it is approved by the FERC and executed by the Company. The parties also recognize that the Company has obligations and responsibilities as an electric corporation subject to the Commission's jurisdiction.

## **3. Preparation and Input**

The Company may contract with one or more independent consultants to perform the Study, or portions thereof, and defer the reasonably incurred costs of such consultant(s) for later recovery.

The scope of the Study will be developed in cooperation with Staff, NYCEDC, COW, and Signatory Parties (including their principals and members) to this Proposal. In addition, Study input should be sought from the NYISO, the New York State Reliability Council, and potentially interested governmental and regulatory entities, such as the federal Departments of Homeland Security and Energy, FERC, NYSDEC, and NYSERDA.

To avoid duplication of effort, the Study will exclude consideration of the subjects addressed in the steam production study discussed in the Gas/Steam Rate Order.

## **4. Timing**

The Study process will be commenced within 60 days of the date of the Commission Order approving or adopting this Proposal, and the Company will use best efforts to issue the Study by December 31, 2005. If the Study is not issued by December 31, 2005, the Company will update Staff, NYCEDC, COW, and the Signatory Parties as to its expected completion date.

The Study, when completed, will be made available to Staff, NYCEDC, COW, and other interested parties. To the extent the Study contains confidential cost projections or cost data or security sensitive information, those sections of the Study will be segregated and treated as confidential information, in accordance with the Commission's trade secret regulations, and will not be disseminated to parties other than Staff.

#### **5. Interplay of Con Edison's Obligations**

If the NYISO, as a result of the Comprehensive Reliability Planning Process, identifies a reliability need within the Company's bulk power system within the Study Period, the Company will identify for the NYISO and the Commission proposed backstop solutions, which should be based on the Study findings if such findings are available at the time the Company must identify its potential backstop solutions. One or more of the proposed backstop solutions will be implemented in the absence of a market response to the NYISO's identified need, in accordance with the NYISO process.

If the NYISO Comprehensive Reliability Planning Process is rejected by the FERC, is abandoned or terminated, or fails to produce annual "Reliability Needs Assessments" for the Company's service territory during the Electric Rate Plan, and instead the Company identifies a reliability need within the Company's bulk power system within the Study Period, and the Commission confirms that such need must be met, the Company will submit to the Commission, and other regulatory bodies, as appropriate, proposed backstop solutions for addressing the identified need, which should be based on the Study findings if such are available at the time the Company must identify its potential backstop solutions. One or more such solutions will be implemented in the absence of a market response to this identified need.

In either case, the procedure to be employed related to the implementation of the appropriate backstop solution(s) will involve a filing by the Company with the Commission that

describes the backstop solution(s) chosen by the Company, including the rationale for its choice(s), the Company's proposal for implementing its solution(s), and any plan to solicit and consider offers or bids associated with the proposed solution(s). Interested parties will then be provided an opportunity to comment on the Company's filing.

**L. Revenue Allocation**

The annual revenue requirement for each Rate Year will be allocated among the classes as follows and as shown in greater detail in Appendix M.

**1. Step 1: Rate Realignment**

The NYPA class will receive a \$5.25 million increase in RY1 and RY3, designed to address the Electric Cost of Service ("ECOS") study deficiency, as calculated by Con Edison. The impact of this increase on all of the customer classes will be as shown on Appendix M.

**2. Step 2: Allocation of Base Rate Increase**

The "Pre-Rate Moderator Increase" for RYs 1 and 3 will consist of both T&D and MAC revenue changes and is that sum, which when combined with the rate moderators for RY1, will produce the total agreed upon base rate increase in delivery service revenue for RYs 1 and 3. Any Pre-Rate-Moderator Increase for RY1 and RY3 will be apportioned as a uniform percentage increase to all classes in proportion to (a) each class' current T&D base revenue prior to that Rate Year's increase, plus (b) any rate increases or decreases from Step 1 scheduled for that Rate Year.

**3. Step 3: Allocation of Rate Moderators**

Each Rate Year, the NYPA class will be allocated \$8,533,000 of the imputed forecasted TCC auction proceeds (*i.e.*, 14.22% of \$60 million) for that year consistent with ECOS Transmission Allocator D03. This allocation will serve as a reduction or offset to the Pre-Rate

Moderator Increase. The NYPA class will not share in any subsequent reconciliation of forecasted-to-actual TCC auction proceeds during the Electric Rate Plan. In addition, each Rate Year the NYPA class will be allocated \$6,849,000 of the historic TCC auction proceeds (14.22% of \$48.154 million, which is 50% of those proceeds).

Except as per contract between Con Edison and NYPA, the NYPA class will not receive an allocation of TCC congestion rents during the Electric Rate Plan. Further, the NYPA class will not share in any gains and/or losses arising from the sale and/or disposition of any Con Edison production-related assets.

**4. Step 4: Total Class Increase**

The total revenue increase in RY1 and RY3 for each class will be the sum of any rate increase or decrease from Step 1 plus any allocation of base rate increase from Step 2 minus any allocation of rate moderators from Step 3.

**5. Step 5: Development of Transmission and Distribution Rate Increases for Con Edison Classes**

The T&D rate increase applicable to each Con Edison class will be determined by subtracting the change in the MAC revenue requirement included in the Pre-Rate Moderator increase from the total revenue increase for each class determined in Step 4.

**6. Other**

a. This interclass revenue allocation does not set any precedent for any future revenue allocation or TCC revenue allocations.

b. Within 60 days of the date of the Commission Order approving or adopting this Proposal, the parties agree to initiate a collaborative process to discuss and analyze alternative ECOS methodologies and inputs consistent with generally accepted cost of service principles, the appropriateness of a Winter/Summer rate differential for the Rate I NYPA class,

and the streetlighting outage allowance. The parties intend to submit a report on this matter to the Commission no later than December 31, 2005. This collaborative process will not result in rate changes during the Electric Rate Plan.

c. Neither this Proposal nor the execution thereof by any party shall be construed as validating or endorsing any particular ECOS methodology or study.

## **M. Rate Design**

### **1. General Delivery Service**

Consistent with the Commission's jurisdiction over retail delivery service, this Proposal establishes comprehensive rates that include all T&D-related costs associated with retail delivery service. The comprehensive delivery service rates will be grounded on a total revenue requirement that reflects all costs of delivery facilities, without regard to the functionalization of those facilities as transmission or distribution. The same rates will apply to the same classes for delivery service rendered pursuant to the Full Service and Retail Access Schedules,<sup>23</sup> except as may be necessary to implement rate unbundling.

The delivery service rates for certain service classifications will have time-dependent or other-based components. For example, time-of-day delivery service rates will have multiple components to reflect the different on-peak and off-peak periods currently applicable to T&D rates. In addition, with respect to economic development programs whose distribution charges are subject to percentage-based discounts or minimum monthly charges, the percentages will be restated to reflect their application to the comprehensive rates.

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<sup>23</sup> The delivery service rates will be set forth in the Full Service Schedule and incorporated by reference in the Retail Access Schedule.

The Company plans to file a transmission rate case with the FERC after the date of the Commission Order approving or adopting this Proposal. When the FERC case is completed, the Company will inform the Commission of the FERC-approved transmission revenue requirement. That revenue requirement will be deemed to be subsumed in the total delivery service revenue requirement established in this proceeding, without altering that total delivery service revenue requirement or the associated comprehensive delivery service rates set forth in the Company's Commission-jurisdictional tariffs.

**2. PASNY No. 4 Rates**

a. The facilities charge applicable in Rate I to New York City streetlights will be adjusted in RY1 from \$5.22 to \$5.54 and in RY3 from \$5.54 to \$5.86, based on the embedded cost of facilities specifically associated with service to street lights. All other Rate I and Rate II charges under the PASNY No. 4 rate schedule will then be increased to recover the balance of the NYPA revenue requirement.

b. Rate III and Rate IV rates will be developed consistent with the Standby Rates Order.<sup>24</sup> As specified in the standby rate guidelines, Rate III and Rate IV rates will each be developed to be revenue neutral at the proposed revenue level (*i.e.*, to produce the same transmission and distribution revenues as the equivalent non-standby rates).<sup>25</sup> Rate IV 138 kV standby rates reflect revenues associated with 138 kV facilities only.

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<sup>24</sup> Case 99-E-1470, Proceeding on Motion of the Commission as to the Reasonableness of the Rates, Terms and Conditions for the Provision of Electric Standby Service, Opinion No. 01-4 (issued October 26, 2001) (“Standby Rates Order”).

<sup>25</sup> The Commission has defined “revenue neutral” as “the full service class (not any individual customer) would contribute the same revenues if the full class were priced under either the standard service class rates or the standby rates (given the historic usage patterns of the customers in that class).” Standby Rates Order, p. 7.

**3. EDDS No. 2 Rates**

The current conventional and time-of-day rates under the EDDS rate schedule (Rates I and II, respectively) will be increased by the percentage increase applicable to EDDS. Rate I of SC 15-RA of the Retail Access Schedule will be set equal to EDDS Rate I; Rate II of SC 15-RA will be set equal to EDDS Rate II.

**4. Con Edison P.S.C. No. 9 – Electricity and P.S.C. No. 2 – Retail Access Rates**

a. The Rate I water heating block rate (*i.e.*, the 360-780 kWh block rate per month) in SC 1 will be eliminated, because the rates in that block are currently higher than the rates for the first 360 kWh per month.

b. The water heating block rate in SC 7 Rate I will be eliminated to be consistent with the elimination of the water heating block rate in SC 1. Existing SC 7 Rate III (for space heating only) is the same as SC 7 Rate I, except that it has no water heating block rate; because the water heating block was eliminated, Rate III will be eliminated. The space heating discount applicable under SC 7 Rate I will be applicable to usage greater than 360 kWh during the winter months.

c. The customer charge and the energy charges in SC 1 Rate I will be increased in RY1 and RY3 by the overall class base rate percentage increase and will not otherwise be increased during the Electric Rate Plan.

d. In SC 7 Rate I, the customer charge, the summer rates, and the winter rates for usage up to 360 kWh will be set identical to SC 1 Rate I. The remaining revenue requirement for SC 7 Rate I will be allocated to the over 360 kWh winter block rate.

e. Consistent with past practice, Rate II in SC 1, 2 and 7 will be designed to recover each class' overall base revenue requirement. The rates will be designed to be revenue neutral at the proposed revenue level.

f. The SC 2 Rate I customer charge and energy charges will be adjusted by the overall class base rate percentage change.

g. The demand charges and energy charges in Rate I of SC 4, 5, 8, 9 and 12 will be adjusted by the overall base rate percentage change applicable to each class.

h. The SC 6 (Public and Private Street Lighting) minimum charge will be eliminated and a customer charge will be set to collect the embedded cost of \$12.46 per account. The customer charge and energy charge will be increased by the overall base rate percentage increase applicable to this class.

i. The SC 9 Rate I maximum rate will be increased by double the overall base rate percentage increase applicable to SC 9 Rate I, consistent with past practice and the goal of eventually eliminating this provision.

j. The minimum charge and energy charges applicable to SC 12 Rate I customers billed for energy only will be increased by the overall base rate percentage increase applicable to SC 12 Rate I customers.

k. Past practice will be followed in designing Rate II of SC 4, 5, 8, 9, 12, Rate III of SC 4, 8, 9, and 12, and the SC 13 rate. The energy rates in these rate classes will be set equally: they will be determined by increasing current energy rates by the ratio of the proposed energy revenue requirement for these classes to the current level of revenue collected from the energy charges in these classes. The demand rates in each of these classes will then be adjusted to recover the residual revenue requirement. Rate III in SC 4, 8, 9, and 12 will be

designed to recover the class revenue requirement of all customers not billed under Rate II.

l. SC 14-RA rates will be developed consistent with the Standby Rates Order. As specified in the standby rate guidelines, rates will be developed for each class within SC 14-RA to be revenue neutral at the proposed revenue level.

m. SC 11 Buy-Back Service will be modified, so as to make the SC 14-RA customer charges and distribution contract demand charges applicable to SC 11 customers. In addition, the SC 11 and SC 14-RA reactive power demand charge will be increased.

#### **5. Direct Current Service Charges**

Direct Current (“DC”) service charges, applicable to customers served by DC service, will be updated to collect the current cost of financing and operating the DC system. The DC customer charge, currently \$10.00, will be increased to \$20.00 for Con Edison customers served under SC 1, 2 and 7 and from \$385 to \$1,256 for PASNY No. 4 and EDDS No. 2 customers and Con Edison customers served under SC 4, 8, and 9. The DC distribution charge, currently \$0.11 per kWh, will be increased to \$0.39 per kWh.

The Company proposes to revise the DC service charges no more than once annually, upon 30 days’ advance notice, based on projected DC system costs, DC kWh sales, and the number of customers taking DC service for the upcoming 12-month period. Any over- or under-collections each Rate Year will be reconciled and included in the subsequent Rate Year’s amount to be collected.

The Rider T – DC Conversion Program will be modified as follows: the Company will continue the program through March 31, 2008, accept applications until September 30, 2007, and

fund the program at the lesser of surcharge collections or \$18 million from January 1, 2006 through March 31, 2008.<sup>26</sup>

**6. Delivery Service for Additional NYPA Customers**

Recently-enacted laws permit NYPA to supply capacity and energy to military bases and elementary and secondary non-public schools in Con Edison's service territory. Certain of these customers may be eligible for NYPA delivery service, whereas others may not. Only customers who are eligible for existing NYPA delivery service will be served under PASNY No. 4 and will be exempt from the MAC to the same extent as other customers served under PASNY No. 4. Customers who are not eligible for existing NYPA delivery service will be served under the otherwise applicable service classification under the Retail Access Schedule. Should the Company experience a net revenue shortfall as a result of customer transfers from Con Edison to NYPA pursuant to the recently-enacted or similar laws enacted during the Electric Rate Plan, such a net revenue shortfall between retail access rates and NYPA delivery rates will be collected on a current basis through the MAC.

**7. Miscellaneous Changes**

a. Applicability of Standby Service Charges

The Company will not impose, during the Electric Rate Plan, standby service charges on customers solely because they have existing installed, or they will install, hybrid chillers and/or thermal storage systems.

b. Tariff Changes

A number of tariff changes will be made, as summarized below. The specific language of the changes will be shown on tariff leaves to be filed with the Commission.

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<sup>26</sup> The Rider T program budget through December 31, 2005 was established pursuant to a Commission Order issued May 28, 2003, in Case 03-E-0272.

- i) The annual carrying charge for interconnection applicable under SC 14-RA and SC 11 and under the PASNY No. 4 schedule will be increased to 11.4% reflect updated total operating expenses as indicated by the ECOS study.
- ii) When customers upgrade their service conduits, they will be required to relocate meters outdoors for existing one to three family homes, when it is feasible for the meter to be relocated outdoors.
- iii) General Rule III-13(D) will be changed to indicate that if a customer connects its on-site generation equipment in violation of the Company's tariff, the Company will prospectively assess a contract demand surcharge equal to twice the amount of the otherwise applicable contract demand each month under SC 14-RA, beginning the later of April 1, 2005 or the month in which the condition is detected, until the customer complies with the Company's tariff requirement.
- iv) A reinspection charge of \$109 will be assessed if a customer's first inspection demonstrates that the work was either incomplete or incorrectly performed and the Company is required to revisit the premises.
- v) The stores handling rate will be increased to 14.5% to reflect current costs.
- vi) The overhead rate will be decreased to 4.0% when the labor cost for engineering or drafting service is separately stated.
- vii) Text will be added to clarify that services in the General Information Section are subject to the Increase in Rates and Charges.
- viii) Text will be added to allow special services to be requested by a customer's agent as well as by a customer.

ix) Charges will be established for certain services upon the basis of costs to the Company, including: (1) when a customer requests a service outage outside of normal working hours; (2) when a customer requests the Company to design non-standard specifications for structures to house Company facilities on the customer's premises; or (3) when the Company exposes a customer's property line box to find the cable fault location and the cable fault is not within the Company's facilities, except there will be no charge for such work in connection with service to 1-3 family houses.

x) The exemption from pole relocation charges for relocation for ingress or egress purposes will be eliminated.

xi) Charges for Megger tests of \$230 per test will be added, and charges for dielectric fluid tests will be changed to between \$295 and \$525 per sample and high potential proof tests will be changed to \$910 per visit for the first four hours and \$230 for each additional hour.

xii) Charges for interval metering data for customers served under Riders M, P, U, V, and W will be waived if the information is provided over the Internet.

xiii) A number of other, minor, housekeeping changes will be made.

## **8. Business Incentive Rate Program**

The following changes will be made to Rider J – Business Incentive Rate (“BIR”):

a. Applications to commence service under Rider J will be accepted through March 31, 2008.

b. The maximum amount of power available for allocation through the BIR program will be increased during the Electric Rate Plan by 12 MW to bring the total allocation to 452 MW. The increase will be phased-in as follows: 5 MW effective as of April 1, 2005, 2 MW effective as of April 1, 2006, and 5 MW effective as of April 1, 2007. The 12 MW will be

allocated to the “New and Vacant program” and will be reserved for not-for-profit institutions utilizing laboratory space for biomedical research under the existing criteria for such allocations, except that the tariff definition of the term “Biomedical Research” will be amended to state the following:

Biomedical research includes research within the following disciplines: bioscience (adapting traditional research to commercial goals); biomedical engineering (integrating physical, chemical, mathematical, computational science, and engineering principles to study biology, medicine, behavior and health); genomics (treatments based upon genetic manipulation); translational medicine (application of research findings to commercially viable product development and to treatments that are directly applicable to human diseases); and biopharmacology (direct application of research to development of drug treatments).

c. As BIR allocations to customers in a particular program (*i.e.*, New York City Comprehensive, Westchester Comprehensive, New and Vacant) expire, such allocations will be available for re-use in that program at the then-current BIR rate.

d. BIR allocations during the Electric Rate Plan will be assumed not to result in revenue shortfalls during the Electric Rate Plan.

e. Economic development administrators (“EDA”) of BIR programs are not precluded from petitioning the Commission, with copies served on all parties to Case 04-E-0572, to increase their allocation of BIR during the Electric Rate Plan based upon a showing that: (1) all BIR allocations available to the EDA have been depleted; (2) the EDA requires a BIR allocation; and (3) the increased allocation will not have a material adverse impact on ratepayers.

**N. Miscellaneous Provisions**

**1. NYPA Billing System**

Con Edison agrees to work with NYPA, to the extent reasonable, to facilitate implementation of NYPA's new billing system.<sup>27</sup>

**2. Rate Changes**

Except as otherwise provided herein, the provisions of this Proposal will continue after RY3, unless and until electric base delivery service rates are changed by Commission order. Nothing herein precludes Con Edison from filing a new general electric rate case prior to April 1, 2008, for rates to be effective on or after April 1, 2008. The Company will not file rates to be become effective prior to April 1, 2008.

Changes to the Company's base delivery service rates during the Electric Rate Plan will not be permitted, except for (a) changes provided for in this Proposal; and (b) subject to Commission approval, changes as a result of the following circumstances:

a. A minor change in any individual base delivery service rate or rates whose revenue effect is *de minimis*, or essentially offset by associated changes within the same class or for other classes, provided however that the rates applicable to the NYPA classes will not be increased in total. It is understood that, over time, such minor changes may be necessary and that they may continue to be sought during the Electric Rate Plan, provided they will not result in a change (other than a *de minimis* change) in the revenues that Con Edison's base delivery service rates are designed to produce overall before such changes.

b. If a circumstance occurs which in the judgment of the Commission so threatens Con Edison's economic viability or ability to maintain safe, reliable and adequate

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<sup>27</sup> This provision does not bind any Signatory Party to agree with or accept NYPA's new billing system.

service as to warrant an exception to this undertaking, Con Edison will be permitted to file for an increase in base delivery service rates at any time under such circumstances.

c. The Signatory Parties recognize that the Commission reserves the authority to act on the level of Con Edison's base delivery service rates in the event that, in the Commission's opinion, Con Edison's base delivery service rates are unjust or unreasonable for the provision of safe, reliable and adequate service.

d. Nothing herein will preclude Con Edison from petitioning the Commission for approval of new services, the implementation of new service classifications and/or cancellation of existing service classifications, or rate design or revenue allocation changes within or among the non-NYPA service classes on an overall revenue neutral basis. Con Edison will not propose any changes to the SC 1 customer charge to be effective during the Electric Rate Plan except as specified herein.

e. The Signatory Parties reserve the right to oppose any filings made by the Company under this section.

### **3. Legislative, Regulatory and Related Actions**

a. If the federal government, State of New York, the City of New York and/or other local governments make changes in their tax laws (other than local property taxes, which will be reconciled in accordance with Section D.1) that result in a change in the Company's electric costs in an annual amount of \$7.5 million or more and if the Commission does not permit the disposition, through a surcharge or credit, of any such tax law changes, including any new, additional, repealed or reduced federal, State, City of New York or local government taxes, fees or levies, Con Edison will defer the full change in expense, subject to Section D.9, and reflect such deferral as credits or debits to customers in the next base rate change, subject to any final Commission determination in a generic proceeding prescribing

utility implementation of a specific tax enactment, including a Commission determination of any Company-specific compliance filing made in connection therewith.<sup>28</sup>

b. If any other law, rule, regulation, order, or other requirement or interpretation (or any repeal or amendment of an existing rule, regulation, order or other requirement) of the federal, State, or local government or courts, including a requirement that Con Edison refund its tax exempt debt, results in a change in Con Edison's annual electric costs or expenses not anticipated in the expense forecasts and assumptions on which the rates in this Proposal are based in an annual amount of \$7.5 million or more,<sup>29</sup> Con Edison will defer on its books of account the full change in expense, subject to Section D.9, with any such deferrals to be reflected in the next base rate case or in a manner to be determined by the Commission.

c. The Company will retain the right to petition the Commission for authorization to defer extraordinary expenditures not otherwise addressed by this Proposal.

#### **4. Provisions Not Separable**

The Signatory Parties intend this Proposal to be a complete resolution of all the issues in Case No. 04-E-0572. It is understood that each provision of this Proposal is in consideration and support of all the other provisions, and expressly conditioned upon acceptance by the Commission. Except as set forth herein, none of the Signatory Parties is deemed to have approved, agreed to or consented to any principle, methodology or interpretation of law underlying or supposed to underlie any provision herein. If the Commission fails to adopt this

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<sup>28</sup> All Signatory Parties reserve all of their administrative and judicial rights in connection with such generic proceeding(s).

<sup>29</sup> For purposes of this Proposal, the \$7.5 million threshold will be applied on a case-by-case basis and not to the aggregate impact of changes of two or more laws, rules, etc.; provided, however, that this threshold will be applied on a Rate Year basis to the incremental aggregate impact of all contemporaneous changes (*e.g.*, changes made as a package even if they occur or are implemented over a period of months) affecting a particular subject area and not to the individual provisions of the new law, rule, etc.

Proposal according to its terms, then the Signatory Parties to the Proposal will be free to pursue their respective positions in this proceeding without prejudice.

**5. Provisions Not Precedent**

The terms and provisions of this Proposal apply solely to, and are binding only in, the context of the purposes and results of this Proposal. None of the terms or provisions of this Proposal and none of the positions taken herein by any party may be referred to, cited, or relied upon by any other party in any fashion as precedent or otherwise in any other proceeding before this Commission or any other regulatory agency or before any court of law for any purpose other than furtherance of the purposes, results, and disposition of matters governed by this Proposal.

**6. Submission of Proposal**

The Signatory Parties agree to submit this Proposal to the Commission and to individually support and request its adoption by the Commission as set forth herein. The Signatory Parties hereto believe that the Proposal will satisfy the requirements of Public Service Law §65(1) that Con Edison provide safe and adequate service at just and reasonable rates.

**7. Effect of Commission Approval**

No provision of this Proposal or the Commission's approval of this Proposal shall in any way abrogate or limit the Commission's statutory authority under the Public Service Law. The Parties recognize that any Commission approval of this Proposal does not waive the Commission's ongoing rights and responsibilities to enforce its orders and effectuate the goals expressed therein, nor the rights and responsibilities of Staff to conduct investigations or take other actions in furtherance of its duties and responsibilities.

**8. Further Assurances**

The Signatory Parties recognize that certain provisions of this Proposal require that actions be taken in the future to fully effectuate this Proposal. Accordingly, the Signatory Parties agree to cooperate with each other in good faith in taking such actions.

**9. Execution**

This Proposal is being executed in counterpart originals, and shall be binding on each Signatory Party when the counterparts have been executed.

**IN WITNESS WHEREOF**, the Signatory Parties hereto have affixed their signatures below as evidence of their agreement to be bound by the provisions of this Proposal.

CONSOLIDATED EDISON COMPANY  
OF NEW YORK INC.

Dated: \_\_\_\_\_

By \_\_\_\_\_

**APPENDIX A****REVENUE REQUIREMENT**

Table 1  
 Operating Income, Rate Base & Rate of Return  
 For the 12-Months Ending March 31, 2006  
 \$ Thousands

	Rate Year Forecast	Rate Increase	Rate Year 1 With Rate Increase
Sales Revenues	\$ 6,379,341	\$104,601	\$ 6,483,942
Less Fuel & Purchased Power	(3,271,609)		(3,271,609)
Other Fuel Charges	(12,484)		(12,484)
Gross Receipts Tax (GRT)	(169,344)	(3,284)	(172,628)
Other Revenues	333,300		333,300
<b>Net Revenues</b>	<u>3,259,204</u>	<u>101,317</u>	<u>3,360,521</u>
Operations & Maintenance Expenses	1,155,182	523	1,155,705
Depreciation	382,781		382,781
Losses from Disposition of Utility Plant	38,640		38,640
Gains from Disposition of Utility Plant	(23,585)		(23,585)
Taxes Other Than Income Taxes & GRT	803,813		803,813
<b>Total Deductions</b>	<u>2,356,831</u>	<u>523</u>	<u>2,357,354</u>
<b>Operating Income Before Income Taxes</b>	902,373	100,794	1,003,167
Federal Income Tax	167,037	32,632	199,669
New York State Income Taxes	46,425	7,560	53,985
<b>Utility Operating Income</b>	<u>\$ 688,911</u>	<u>\$ 60,602</u>	<u>\$ 749,513</u>
<b>Rate Base</b>	<u>\$ 9,280,727</u>		<u>\$ 9,280,727</u>
Overall Rate of Return	<u>7.42%</u>		<u>8.08%</u>

Table 2  
Electric 2nd & 3rd Stage Increase  
\$ Millions

Rate Year Ending	March 31,		
	2006	2007	2008
First Year Increase	\$ 104.6		
Annual Increases / (Decreases)			
- Sales Growth		\$ (37.2)	\$ (45.1)
- Gain from Sales of Utility Plant		(11.7)	(43.7)
- O&M Increases & Adjustments		24.0	21.6
- Pensions/OPEBs		3.0	28.0
- Depreciation		14.4	25.0
- Property Taxes		50.8	54.3
- Taxes other than income and property taxes		1.7	1.7
- Plant Rate Base Additions		48.2	94.5
- Reserve for Stage 2 & 3 Increases		(34.6)	(34.6)
Total Revenue Requirements	<u>\$ 104.6</u>	<u>\$ 58.6</u>	<u>\$ 101.7</u>

Table 3  
Three Year Revenue Requirement Phase -In  
\$ Millions

Rate Increase	Rate Year Ending March 31,			Increase Over
	2006	2007	2008	Three Years
Annual Increase Based On Proposal	\$ 104.6	\$ 58.6	\$ 101.7	\$ 532.7
Phase - In				
Two Rate Changes (RY1 & RY3)	\$ 104.6	\$ -	\$ 218.9	\$ 532.7
Interest on Deferred Rate Increase (a)	-	-	1.5	1.5
<b>Total Increase with Interest</b>	<b>\$ 104.6</b>	<b>\$ -</b>	<b>\$ 220.4</b>	<b>\$ 534.2</b>

(a) Interest @ 4.35% (Net of Tax)

## APPENDIX B

### CUSTOMERS CREDITS AND DEBITS

(in millions of dollars)

<b>Amortization of Deferred Accounting Credits (Net of Amortization of Deferred Debits)</b>	<b>RY1</b>	<b>RY2</b>	<b>RY3</b>	<b>Total</b>
Other Operating Revenues (Amortizations):				
Historical TCC Auction Proceeds - Principal & Interest	\$ 96.3	\$ 96.3	\$ 96.3	\$ 288.9
TCC Transition Period Credits	20.0	20.0	20.0	60.0
NYISO Metering True-ups - Principal & Interest	49.4	49.4	49.4	148.1
Customer's Share of Earnings Over Threshold - 2000 Agreement	16.4	16.4	16.4	49.1
2000 Agreement Rate Reductions (RY4)	10.6	10.6	10.6	31.8
Amortization Transition Period OPEB Medicare Tax Benefits	6.0	6.0	6.0	18.0
Electric Reliability Penalty	3.4	3.4	3.4	10.1
Sale of Roseton – Interest	3.1	3.1	3.1	9.3
Interest - Regulatory Assets	2.8	2.8	2.8	8.3
Telecommunication Revenues - Principal & Interest	2.1	2.1	2.1	6.4
Site Separation Revenues - Astoria bundle	1.7	1.7	1.7	5.1
Lost Revenues Associated with Customer incentives	(0.3)	(0.3)	(0.3)	(1.0)
Sale of Mid-Hudson Properties – Interest	(2.8)	(2.8)	(2.8)	(8.4)
Sale of Indian Point – Interest	(7.7)	(7.7)	(7.7)	(23.0)
Fuel	(11.0)	(11.0)	(11.0)	(33.0)
Interference Expense	(14.7)	(14.7)	(14.7)	(44.2)
Property Taxes	(32.5)	(32.5)	(32.5)	(97.4)
Loss on Sale of Utility Plant	(38.6)	(38.6)	(38.6)	(115.9)
Gain on Sale of Utility Plant	23.6	23.6	23.6	70.8
Amortization of Global Settlement	-	33.3	66.7	100.0
Electric Performance Reliability Credits	-	0.5	1.0	1.5
Gain from sale of 45th Street Properties (DOT)	-	6.0	11.9	17.9
<b>Expected Accounting Credits</b>				
Annual TCC Auction Proceeds	60.0	60.0	60.0	180.0
Proceeds from Sale of Chelsea Property	-	5.3	41.4	46.7
<b>Total Accounting Credits</b>	<b>\$1 87.7</b>	<b>\$ 232.8</b>	<b>\$ 308.8</b>	<b>\$ 729.3</b>

**APPENDIX C****SALES FORECAST****Forecast of Sales Volumes**

	<u>SC 1</u>	<u>SC 1 1WH</u>	<u>SC 1 TOT</u>	<u>SC 2</u>	<u>SC 4</u>	<u>SC 5</u>	<u>SC 6</u>	<u>SC 7</u>	<u>SC 8</u>	<u>SC 9</u>	<u>F.G.</u>	<u>SC 9 TOT</u>	<u>SC 12</u>	<u>SC 13</u>	<u>SC 3</u>	<u>CONED</u>		
<b>Con Edison Forecast</b>	<u>Quarterly</u>																	
	2005.2	2,791	12	2,803	495	1,534	30	3	35	431	4,498	0	4,498	93	36	1	9,959	
	2005.3	4,315	12	4,327	566	1,791	30	3	31	622	5,513	0	5,513	86	39	0	13,008	
	2005.4	3,032	12	3,044	510	1,534	30	3	42	454	4,683	0	4,683	104	38	1	10,443	
	2006.1	3,179	12	3,191	558	1,518	30	3	76	457	4,687	0	4,687	174	42	0	10,736	
	2006.2	2,786	12	2,798	491	1,515	30	3	34	427	4,544	0	4,544	91	36	1	9,970	
	2006.3	4,436	12	4,448	574	1,802	30	3	31	630	5,687	0	5,687	84	40	0	13,329	
	2006.4	3,095	12	3,107	516	1,544	30	3	41	460	4,828	0	4,828	105	39	1	10,674	
	2007.1	3,243	12	3,255	564	1,526	30	3	76	462	4,761	0	4,761	173	43	0	10,893	
	2007.2	2,891	12	2,903	505	1,548	30	3	35	440	4,692	0	4,692	91	37	1	10,285	
	2007.3	4,552	12	4,564	581	1,812	30	3	31	638	5,779	0	5,779	84	40	0	13,562	
	2007.4	3,154	12	3,166	522	1,552	30	3	41	466	4,904	0	4,904	103	39	1	10,827	
	2008.1	3,296	12	3,308	569	1,530	30	3	74	467	4,819	0	4,819	171	43	0	11,014	
	<u>Rate Years</u>																	
	2006	13,317	48	13,365	2,129	6,377	120	12	184	1,964	19,381	0	19,381	457	155	2	44,146	
	2007	13,560	48	13,608	2,145	6,387	120	12	182	1,979	19,820	0	19,820	453	158	2	44,866	
2008	13,893	48	13,941	2,177	6,442	120	12	181	2,011	20,194	0	20,194	449	159	2	45,688		
<b>JP Adjustment</b>	<u>Quarterly</u>																	
	2005.2	31.8	0.1	31.9	5.8	6.7	0.0	0.0	0.3	1.5	107.8	0.0	107.8	0.0	0.0	0.0	154.1	
	2005.3	41.9	0.1	42.1	6.2	47.8	0.0	0.0	0.2	2.1	37.3	0.0	37.3	0.0	0.0	0.0	135.7	
	2005.4	31.0	0.1	31.1	5.8	5.5	0.0	0.0	0.3	1.6	36.5	0.0	36.5	0.0	0.0	0.0	80.8	
	2006.1	33.1	0.1	33.3	8.8	4.5	0.0	0.0	0.5	1.6	44.0	0.0	44.0	0.0	0.0	0.0	92.7	
	2006.2	48.7	0.2	48.9	11.2	10.6	0.0	0.0	0.3	2.1	133.1	0.0	133.1	0.0	0.0	0.0	206.2	
	2006.3	50.7	0.1	50.8	11.2	48.7	0.0	0.0	0.3	3.0	55.4	0.0	55.4	0.0	0.0	0.0	169.5	
	2006.4	34.1	0.1	34.2	9.7	4.8	0.0	0.0	0.4	2.2	47.1	0.0	47.1	0.0	0.0	0.0	98.5	
2007.1	44.3	0.2	44.5	14.1	5.9	0.0	0.0	0.8	2.2	61.4	0.0	61.4	0.0	0.0	0.0	128.9		

JP Total GWH Forecast

2007.2	58.9	0.2	59.2	16.0	12.0	0.0	0.0	0.5	2.8	151.9	0.0	151.9	0.0	0.0	0.0	242.4
2007.3	66.8	0.2	66.9	16.8	50.4	0.0	0.0	0.4	4.0	76.4	0.0	76.4	0.0	0.0	0.0	215.0
2007.4	44.9	0.2	45.1	14.7	6.2	0.0	0.0	0.5	2.9	64.9	0.0	64.9	0.0	0.0	0.0	134.5
2008.1	55.8	0.2	56.0	19.5	7.4	0.0	0.0	1.0	2.9	79.7	0.0	79.7	0.0	0.0	0.0	166.5
<u>Rate Years</u>																
2006	137.9	0.5	138.4	26.7	64.6	0.0	0.0	1.3	6.8	225.7	0.0	225.7	0.0	0.0	0.0	463.3
2007	177.8	0.6	178.4	46.2	70.0	0.0	0.0	1.8	9.6	296.9	0.0	296.9	0.0	0.0	0.0	603.0
2008	226.4	0.8	227.2	67.1	76.1	0.0	0.0	2.4	12.7	372.9	0.0	372.9	0.0	0.0	0.0	758.3
<u>Quarterly</u>																
2005.2	2,822.8	12.1	2,834.9	500.8	1,540.7	30.0	3.0	35.3	432.5	4,605.8	0.0	4,605.8	93.0	36.0	1.0	10,113.1
2005.3	4,356.9	12.1	4,369.1	572.2	1,838.8	30.0	3.0	31.2	624.1	5,550.3	0.0	5,550.3	86.0	39.0	0.0	13,143.7
2005.4	3,063.0	12.1	3,075.1	515.8	1,539.5	30.0	3.0	42.3	455.6	4,719.5	0.0	4,719.5	104.0	38.0	1.0	10,523.8
2006.1	3,212.1	12.1	3,224.3	566.8	1,522.5	30.0	3.0	76.5	458.6	4,731.0	0.0	4,731.0	174.0	42.0	0.0	10,828.7
2006.2	2,834.7	12.2	2,846.9	502.2	1,525.6	30.0	3.0	34.3	429.1	4,677.1	0.0	4,677.1	91.0	36.0	1.0	10,176.2
2006.3	4,486.7	12.1	4,498.8	585.2	1,850.7	30.0	3.0	31.3	633.0	5,742.4	0.0	5,742.4	84.0	40.0	0.0	13,498.5
2006.4	3,129.1	12.1	3,141.2	525.7	1,548.8	30.0	3.0	41.4	462.2	4,875.1	0.0	4,875.1	105.0	39.0	1.0	10,772.5
2007.1	3,287.3	12.2	3,299.5	578.1	1,531.9	30.0	3.0	76.8	464.2	4,822.4	0.0	4,822.4	173.0	43.0	0.0	11,021.9
2007.2	2,949.9	12.2	2,962.2	521.0	1,560.0	30.0	3.0	35.5	442.8	4,843.9	0.0	4,843.9	91.0	37.0	1.0	10,527.4
2007.3	4,618.8	12.2	4,630.9	597.8	1,862.4	30.0	3.0	31.4	642.0	5,855.4	0.0	5,855.4	84.0	40.0	0.0	13,777.0
2007.4	3,198.9	12.2	3,211.1	536.7	1,558.2	30.0	3.0	41.5	468.9	4,968.9	0.0	4,968.9	103.0	39.0	1.0	10,961.5
2008.1	3,351.8	12.2	3,364.0	588.5	1,537.4	30.0	3.0	75.0	469.9	4,898.7	0.0	4,898.7	171.0	43.0	0.0	11,180.5
<u>Rate Years</u>																
2006	13,454.9	48.5	13,503.4	2,155.7	6,441.6	120.0	12.0	185.3	1,970.8	19,606.7	0.0	19,606.7	457.0	155.0	2.0	44,609.3
2007	13,737.8	48.6	13,786.4	2,191.2	6,457.0	120.0	12.0	183.8	1,988.6	20,116.9	0.0	20,116.9	453.0	158.0	2.0	45,469.0
2008	14,119.4	48.8	14,168.2	2,244.1	6,518.1	120.0	12.0	183.4	2,023.7	20,566.9	0.0	20,566.9	449.0	159.0	2.0	46,446.3

Notes: sales forecasts include both Full Service & Retail Choice  
all sales volumes are expressed in gigawatthours

## Forecast of the Number of Customers

<u>Con Ed SC-2 (thousands of customers)</u>						
	<u>YEAR</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Annual</u>
Actual	2003	318.483	321.105	321.779	323.025	321.098
Forecast	2004	325.744	328.426	329.116	330.390	328.419
Forecast	2005	333.171	335.914	336.619	337.923	335.907
Forecast	2006	340.768	343.573	344.294	345.628	343.566
Forecast	2007	348.537	351.407	352.144	353.508	351.399
Forecast	2008	356.484	359.419	360.173	361.568	359.411

	<u>Rate Years</u>	<u>Rate Years</u>
Forecast	2006	337.806
Forecast	2007	345.508
Forecast	2008	353.386

<u>Con Ed SC-9 (thousands of customers)</u>						
	<u>YEAR</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Annual</u>
Actual	2003	115.947	116.138	116.781	117.496	116.591
Forecast	2004	118.533	118.728	119.385	120.116	119.191
Forecast	2005	121.176	121.376	122.048	122.795	121.849
Forecast	2006	123.878	124.082	124.769	125.533	124.566
Forecast	2007	126.641	126.849	127.552	128.332	127.344
Forecast	2008	129.465	129.678	130.396	131.194	130.184

	<u>Rate Years</u>	<u>Rate Years</u>
Forecast	2006	122.524
Forecast	2007	125.256
Forecast	2008	128.049

Note: This Joint Proposal reflects adjustments to the number of customer forecasts for SC 2 and SC 9. Con Edison's forecasts for the number of customers for other service classes were accepted without adjustment.

**APPENDIX D**

**REVISIONS TO MAC/MSC TARIFFS**

## APPENDIX E

### EXEMPTION FROM MAC CHARGES

The MAC charges set forth in Con Edison's PSC No. 9 – Electricity (Full Service Tariff) will not apply to service under the EDDS Tariff to the extent that the aggregate allocations to the EDDS customers do not exceed 235 MW. In addition, the MAC charges will not apply to service under the PASNY No. 4 Tariff to the extent that the weather-adjusted contribution of the PASNY No. 4 customers to the peak load in Con Edison's service territory does not exceed the following load level for the applicable year:

<u>Year</u>	<u>MW</u>
2005	2,013
2006	2,047
2007	2,080
2008	2,112
2009	2,144
2010	2,178

1. If the above load levels are exceeded, the MAC charges will apply to such excess.
2. Customers served under PASNY No. 4 as of October 1, 1996 will not be subject to the MAC charges irrespective of the Con Edison tariff under which they receive service. If such PASNY No. 4 customers transfer to another tariff and do not pay the MAC charges under the other tariff, then the applicable load level will be reduced by the amount of such transferred load. Conversely, the applicable load level will not be reduced where a former PASNY No. 4 customer or successor customer pays the MAC charges under the tariff to which the customer transfers.
3. When a customer served under PASNY No. 4 as of October 1, 1996 adds additional accounts to that Tariff (other than accounts transferred to the PASNY No. 4 Tariff from the PSC No. 9 Tariff, EDDS Tariff, or Retail Access Tariff), the additional account will be considered part of the customer's load served as of October 1, 1996.
4. The MAC charges will not be applicable to EDDS service for customers taking service under another tariff to the extent such charges do not apply under the EDDS Tariff.
5. Nothing in this Appendix affects any rights of any party respecting eligibility for NYPA service.

## APPENDIX F

### EXPENSE RECONCILIATION TARGETS

(in millions of dollars)

Electric Operations	March 31,				
	2005	RY2 Update	2006	RY3 Update	2007
Property Taxes (+/- 2.5%)	\$ 698.7	\$ 48.9	\$ 747.6	\$ 52.3	\$ 799.9
Interference (Other Than Company Labor) (+/- 2.5%)	67.7	-	67.7	-	67.7
Pension / OPEB (Policy Statement)	(29.1)	2.9	(26.2)	27.0	0.8
Environmental remediation costs	8.9	-	8.9	-	8.9
Stray Voltage / 5 Year Inspection Program	21.0	-	21.0	-	21.0

## **APPENDIX G**

### **CAPITAL RECONCILIATION TARGETS**

(in millions of dollars)

<b><u>Rate Year</u></b>	<b><u>Average Plant Balance</u></b>	<b><u>Average Depreciation Balance</u></b>	<b><u>Annual Target</u></b>
<b><u>T&amp;D Capital Target</u></b>			
RY1	\$11,840.1	\$3,285.2	\$8,554.9
RY2	12,320.5	3,414.1	8,906.4
RY3	13,252.8	3,555.1	9,697.7
<b><u>Production Capital Target</u></b>			
RY1	\$277.7	\$14.6	\$263.1
RY2	312.5	7.6	304.9
RY3	338.9	3.9	335.0

**APPENDIX H****DEPRECIATION RATES**

P.S.C. ACCT. NO.	<u>ELECTRIC PLANT IN SERVICE</u>	CO. ACCT. NO.	AVERAGE SERVICE LIFE	NET SALVAGE	ANNUAL DEPR. RATE	LIFE TABLE
<u>STEAM PRODUCTION</u>						
310	LAND AND LAND RIGHTS	9510	-	-	-	-
310	LAND AND LAND RIGHTS - LEASEHOLDS	9512	-	-	-	(A)
311	STRUCTURES AND IMPROVEMENTS	9514	65	(35)	2.08	h1.00
312	BOILER PLANT EQUIPMENT	9516	35	(35)	3.86	h1.50
314	TURBOGENERATOR UNITS	9522	35	(20)	3.43	h2.00
315	ACCESSORY ELECTRIC EQUIPMENT	9524	35	(20)	3.43	h1.50
316	MISC. POWER PLANT EQUIPMENT	9526	50	(10)	2.20	h1.00
<u>OTHER PRODUCTION</u>						
340	LAND AND LAND RIGHTS	9430	-	-	-	-
341	STRUCTURES AND IMPROVEMENTS	9431	25	(5)	4.20	h3.00
342	FUEL HOLDERS, PROD. & ACCESSORIES	9432	25	(5)	4.20	h3.00
344	GENERATORS	9434	25	(5)	4.20	h3.00
345	ACCESSORY ELECTRIC EQUIPMENT	9435	25	(5)	4.20	h3.00
<u>TRANSMISSION PLANT</u>						
350	LAND AND LAND RIGHTS	9530	-	-	-	-
352	STRUCTURES AND IMPROVEMENTS	9532	70	(25)	1.79	h2.50
353	STATION EQUIPMENT	9534	50	(20)	2.40	h2.00
354	TOWERS AND FIXTURES	9536	45	(40)	3.11	h3.25
356	OVERHEAD CONDUCTORS AND DEVICES	9540	35	(35)	3.86	h2.25
357	UNDERGROUND CONDUIT	9544	55	(5)	1.91	h3.25
357	UNDERGROUND CONDUIT - MAN. & BRONX	9545	55	(5)	1.91	h3.25
358	UNDERGROUND CONDUCTORS & DEVICES	9546	50	(15)	2.30	h3.25
<u>DISTRIBUTION PLANT</u>						
360	LAND AND LAND RIGHTS	9550	-	-	-	-
360	LAND AND LAND RIGHTS - LEASEHOLD	9551	50	0	2.00	(A)
361	STRUCTURES AND IMPROVEMENTS	9552	50	(25)	2.50	h1.75
362	STATION EQUIPMENT	9554	45	(20)	2.67	h2.25
364	POLES, TOWERS AND FIXTURES	9556	45	(85)	4.11	h1.25
365	OVERHEAD CONDUCTORS AND DEVICES	9558	55	(45)	2.64	h1.25
366	UNDERGROUND CONDUIT	9560	80	(20)	1.50	h1.25
366	UNDERGROUND CONDUIT - MAN. & BRONX	9561	80	(20)	1.50	h1.25
367	UNDERGROUND CONDUCTORS & DEVICES	9562	45	(35)	3.00	h0.50
368	LINE TRANSFORMERS	9565				

	OVERHEAD TRANSFORMERS		35	0	2.86	h1.25
	UNDERGROUND TRANSFORMERS		45	0	2.22	h2.00
369	SERVICES – OVERHEAD	9566	50	(145)	4.90	h0.75
369	SERVICES – UNDERGROUND	9567	70	(120)	3.14	h0.75
370	METERS	9569	35	0	2.86	h1.50
370	METER INSTALLATIONS	9571	35	0	2.86	(B)
371	INST. ON CUSTOMERS' PREMISES	9573	60	0	1.67	h1.25
373	O.H. STREET LIGHTING & SIGNAL SYS.	9575	35	(80)	5.14	h0.75
373	U.G. STREET LIGHTING & SIGNAL SYS.	9576	65	(55)	2.38	h0.75
	<u>COMMON UTILITY PLANT IN SERVICE</u>					
	<u>GENERAL PLANT</u>					
389	LAND AND LAND RIGHTS	9810	-	-	-	-
390	STRUCTURES AND IMPROVEMENTS	9812	50	(30)	2.60	h1.25
391	ELECTRONIC DATA PROCESSING EQ.	9815	8	5	11.88	h3.00
391	OTHER OFFICE FURNITURE AND EQ.	9816	18	0	5.56	h0.25
392	TRANSPORTATION EQUIPMENT	9820	8	10	11.25	h2.00
393	STORES EQUIPMENT	9824	20	5	4.75	h1.00
394	TOOLS, SHOP AND GARAGE EQUIP.	9830	18	5	5.28	h0.25
395	LABORATORY EQUIPMENT	9828	20	0	5.00	h0.75
396	POWER OPERATED EQUIPMENT	9829	12	10	7.50	h1.75
397	COMMUNICATION EQUIPMENT	9832	15	0	6.67	h1.75
398	MISCELLANEOUS EQUIPMENT	9834	20	0	5.00	h1.00

## APPENDIX I

### COMMON ALLOCATION FACTORS

	<u>Electric</u>	<u>Gas</u>	<u>Steam</u>
<i><u>Administrative &amp; General Expenses</u></i>			
A&G - Labor Related	78.70%	16.20%	5.10%
A&G - Other than Labor	81.14%	13.21%	5.65%
Pensions/OPEBs and Health Ins. Capitalized	72.67%	23.63%	3.70%
A&G Transferred - Other	76.55%	17.80%	5.65%
<i><u>Customer Accounting Expenses</u></i>			
Uncollectible Accounts	86.00%	14.00%	0.00%
Other Customer Accounts	82.00%	18.00%	0.00%
Energy Services	89.00%	11.00%	0.00%
Other Customer Assistance and Informational & Promotional Advertising	82.00%	18.00%	0.00%
<i><u>Taxes Other than FIT</u></i>			
Sales & Use	77.75%	15.50%	6.75%
Vehicle/Gasoline	81.00%	16.50%	2.50%
Payroll Taxes	78.75%	16.25%	5.00%
Payroll Taxes Transferred to Construction	72.50%	23.75%	3.75%
Other	81.25%	13.25%	5.50%
<i><u>Plant</u></i>			
Common Plant	83.00%	17.00%	0.00%
Common M&S	77.00%	17.00%	6.00%

**APPENDIX J****MIGRATION INCENTIVE EXAMPLES**

Example 1 – Under 25,000 accounts enrolled in Retail Choice during the Electric Rate Plan

<b>Period</b>	<b># RC Accounts – Start/End Period</b>	<b># Accounts Switched Under Plan</b>	<b># Accounts Retained During Incentive Period</b>	<b>Switching Incentive Recovery</b>	<b>Timing of Recovery</b>	<b>Retention Incentive Recovery</b>	<b>Timing of Recovery</b>
Start of Electric Rate Plan:	100,000						
During Period 1		11,000	5,000	\$ 0	End Period 3	\$0	End Period 3
Start Period 2	105,000						
During Period 2		8,000	4,000	\$ 0	End Period 3	\$0	End Period 3
Start Period 3	109,000						
During Period 3		5,000	2,500	\$0	End Period 3	\$0	End Period 3
End Period 3	111,500						
Total		24,000	11,500	\$0		\$0	

Example 2 – Greater than 25,000 accounts enrolled in Retail Choice during the Electric Rate Plan; no net retention achieved during all 3 periods

<b>Period</b>	<b># RC Accounts – Start/End Period</b>	<b># Accounts Switched Under Plan</b>	<b># Accounts Retained During Incentive Period</b>	<b>Switching Incentive Recovery</b>	<b>Timing of Recovery</b>	<b>Retention Incentive Recovery</b>	<b>Timing of Recovery</b>
Start of Electric Rate Plan:	100,000						
During Period 1		17,000	0	17,000 x \$10	End Period 2	\$0	End Period 2
Start Period 2	100,000						
During Period 2		15,000	0	15,000 x \$10	End Period 2	\$0	End Period 2
Start Period 3	100,000						
During Period 3		9,000	0	9,000 x \$10	End Period 3	\$0	End Period 3
End Period 3	100,000						
Total		41,000	0	41,000 x \$10		\$0	

Example 3 – Greater than 25,000 enrolled in Retail Choice during the Electric Rate Plan; net retention achieved not more than enrollment loss during Period 1

<b>Period</b>	<b># RC Accounts – Start/End Period</b>	<b># Accounts Switched Under Plan</b>	<b># Accounts Retained During Incentive Period</b>	<b>Switching Incentive Recovery</b>	<b>Timing of Recovery</b>	<b>Retention Incentive Recovery</b>	<b>Timing of Recovery</b>
Start of Electric Rate Plan:	100,000						
During Period 1		19,000	0	19,000 x \$10	End Period 2	\$0	End Period 2
Start Period 2	91,000						
During Period 2		11,000	5,000	11,000 x \$10	End Period 2	\$0	End Period 2
Start Period 3	96,000						
During Period 3		9,000	4,000	9,000 x \$10	End Period 3	\$0	End Period 3
End Period 3	100,000						
<b>Total</b>		<b>39,000</b>	<b>9,000</b>	<b>39,000 x \$10</b>		<b>\$0</b>	

Example 4 – Greater than 25,000 enrolled in Retail Choice during the Electric Rate Plan; enrollment loss during Period 2

<b>Period</b>	<b># RC Accounts – Start/End Period</b>	<b># Accounts Switched Under Plan</b>	<b># Accounts Retained During Incentive Period</b>	<b>Switching Incentive Recovery</b>	<b>Timing of Recovery</b>	<b>Retention Incentive Recovery</b>	<b>Timing of Recovery</b>
Start of Electric Rate Plan:	100,000						
During Period 1		19,000	9,000	19,000 x \$10	End Period 2	9,000 x \$20	End Period 2
Start Period 2	109,000						
During Period 2		11,000	0	11,000 x \$10	End Period 2	\$0	End Period 2
Start Period 3	95,000						
During Period 3		9,000	0	9,000 x \$10	End Period 3	\$0	End Period 3
End Period 3	99,000						
<b>Total</b>		<b>39,000</b>	<b>9,000</b>	<b>39,000 x \$10</b>		<b>9,000 x \$20</b>	

Example 5 – Greater than 25,000 enrolled in Retail Choice during the Electric Rate Plan; net retention achieved all 3 periods

<b>Period</b>	<b># RC Accounts – Start/End Period</b>	<b># Accounts Switched Under Plan</b>	<b># Accounts Retained During Incentive Period</b>	<b>Switching Incentive Recovery</b>	<b>Timing of Recovery</b>	<b>Retention Incentive Recovery</b>	<b>Timing of Recovery</b>
Start of Electric Rate Plan:	100,000						
During Period 1		19,000	9,000	19,000 x \$10	End Period 2	9,000 x \$20	End Period 2
Start Period 2	109,000						
During Period 2		11,000	5,000	11,000 x \$10	End Period 2	5,000 x \$20	End Period 2
Start Period 3	114,000						
During Period 3		9,000	4,000	9,000 x \$10	End Period 3	4,000 x \$20	End Period 3
End Period 3	118,000						
<b>Total</b>		<b>39,000</b>	<b>18,000</b>	<b>39,000 x \$10</b>		<b>18,000 x \$20</b>	

## APPENDIX K

### SECONDARY NETWORK LIST

<b><u>Brooklyn (10)</u></b>	<b><u>Manhattan (34)</u></b>	<b><u>Queens (7)</u></b>	<b><u>Bronx (6)</u></b>
Bay Ridge	Battery Park City	Flushing	Central Bronx
Borough Hall	Beekman	Jackson Heights	Fordham
Brighton Beach	Bowling Green	Jamaica	Northeast Bronx
Crown Heights	Canal	Long Island City	Riverdale
Flatbush	Central Park	Maspeth	Southeast Bronx
Ocean Parkway	Chelsea	Rego Park	West Bronx
Park Slope	City Hall	Richmond Hill	
Ridgewood	Columbus Circle		
Sheepshead Bay	Cooper Square		
Williamsburg	Cortlandt		
	Fashion		
	Fulton		
	Grand Central		
	Greeley Square		
	Greenwich		
	Harlem		
	Herald Square		
	Hudson		
	Hunter		
	Kips Bay		
	Lenox Hill		
	Lincoln Square		
	Madison Square		
	Park Place		
	Pennsylvania		
	Plaza		
	Rockefeller Center		
	Roosevelt		
	Sheridan Square		
	Sutton		
	Times Square		
	Turtle Bay		
	Washington Heights		
	Yorkville		

## APPENDIX L

### CUSTOMER SERVICE PERFORMANCE MECHANISM INCENTIVE TARGETS

INDICATOR	MAXIMUM PENALTY AMOUNT	THRESHOLD LEVEL	PENALTY
COMMISSION COMPLAINTS	\$6 million		
		≤2.6	N/A
		>2.6 but <2.8	\$2 million
		≥2.8 but <3.1	\$4 million
		≥3.1	\$6 million
Customer Satisfaction Surveys	\$6.0 million		
Emergency Calls (electric only)		<80.0	\$2 million
Phone Center Calls (non emergency)		<82.0	\$2 million
Service Center Visitors		<83.0	\$2 million
Outage Notification	\$4 million		
New And Additional Service Jobs	\$4 million		
Initial Phase		≥4.0 Days	\$2 million
Final Phase		≥7.3 Days	\$2 million
Calls Answered	\$4 million		
Total Calls Rate Year One		≤94.9 percent	\$4 million
Representative Calls (Answer w/i 30 sec.)			
Rate Year Two		≥53.5	N/A
		<53.5 but >53.0	\$2 million
		≤53.0 but >52.5	\$3 million
		≤52.5	\$4 million
Rate Year Three		≥56.0	N/A
		<56.0 but >55.5	\$1 million
		≤55.5 but >55.0	\$2 million
		≤55.0 but >54.5	\$3 million
		≤54.5	\$4 million
Meters Read on Cycle	\$4 million	≤86.9 percent	\$4 million
Billing Accuracy	\$4 million	≤97.2 percent	\$4 million
Routine Investigations (Completed w/in 30 days)	\$4 million	≤94.9 percent	\$4 million
Total	\$36.0 million		

**APPENDIX M**

**REVENUE ALLOCATION**