

NYECC Board of Directors Briefing on Joint  
Proposal in Con Edison Electric and Gas Rate  
Cases (22-E-0064 and 22-G-0065) and Update  
on Con Edison Steam Case (22-S-0659)

March 8, 2023

# Process Remaining in Con Edison Electric and Gas Rate Cases

- 2/16/23 - Con Edison filed a Joint Proposal in 22-E-0064 and 22-G-0065, the Con Edison Electric and Gas Rate Cases.
- The Commission may adopt, adopt with changes, or reject, in whole or in part, any of the terms of the Joint Proposal. The Commission also may adopt terms other than those proposed.
- 3/2/23 – Procedural Conference with Administrative Law Judges to schedule remaining process
- TBD - Statements in Support/Opposition to the Joint Proposal
- TBD - Reply Statements
- TBD - Prehearing Submissions
- TBD - Evidentiary Hearing
- 4/7/23 – Public Comments due on the Joint Proposal

# Comparison of Con Edison's Initial Rate Cases Ask and 2/7/23 Final Settlement Amounts (excluding make whole)

Con Ed Initial Electric Rate Case Filing Req.	Settlement 2/7/23	%Del. Incr.	Con Ed Initial Gas Rate Case Filing Req.	Settlement 2/7/23	%Del. Incr.	
RY1	\$1,199M	\$442.3M	6.4%	\$503M	\$217.2M	12.1%
RY2	\$853M	\$517.5M	7.0%	\$234M	\$173.3M	8.6%
RY3	\$608M	\$382.2M	4.8%	\$218M	\$122.0M	5.5%
E.g.s. SC9 Rate II: RY1 - 6.1%, RY2 - 3.7%, RY3 - 4.5%			SC1: RY1 - 7.6%, RY2 - 5.4%, RY3 - 4.8%			
3YR Aggr.	\$5,911M	\$2,744.1M (46%)	\$2,195M	\$1,120.2M (51%)		
<b>3YR Levelized</b>		<b>\$2,745M (46%)</b>		<b>\$1,123.2M (51%)</b>		
RY1		<b>\$457.45M</b>	<b>6.6%</b>	<b>\$187.20M</b>	<b>10.7%</b>	
RY2		<b>\$457.45M</b>	<b>5.8%</b>	<b>\$187.20M</b>	<b>8.6%</b>	
RY3		<b>\$457.45M</b>	<b>5.9%</b>	<b>\$187.20M</b>	<b>8.5%</b>	

# Estimated Bill Impacts for RY1, RY2 and RY3, assuming a 6/1/23 effective date

% Increase in Delivery (with and without “make whole” delivery revenue surcharge)

	<u>Electric</u>		<u>Gas</u>	
	w/out	w/surcharge	w/out	w/surcharge
RY1	<b>6.6%</b>	<b>7.7%</b>	<b>10.4%</b>	<b>11.9%</b>
RY2	<b>6.2%</b>	<b>5.9%</b>	<b>9.4%</b>	<b>9.6%</b>
RY3	<b>5.8%</b>	<b>4.8%</b>	<b>8.6%</b>	<b>9.3%</b>

Electric SC e.g.: SC9 Rate II: RY1 – 5.9%, RY2 – 3.8%, RY3 – 4.6%

Gas SC e.g.: SC1: RY1 – 8%, RY2 – 5.9%, RY3 – 5.2%; Option 8.4%, 6.4%, 3.1% for RY1-3 for SC1

Make Whole recovery in Electric is through 12/31/24 and for Gas is through 12/31/25.

## Con Ed Planned Capital Expenditures for RY1, RY2 and RY3 Reconciliations

	RY1	RY2	RY3
Electric	\$2.85B	\$2.88B	\$2.8B
Gas	\$1.12B	\$ 1.12B	\$ 1.1B

Many reconciliations continue such as for property taxes, pension and other post-employment benefits expense, site investigation and remediation expenses, and other externally imposed costs. New proposed reconciliations include uncollectible expense and late payment fees, which continue to be impacted by the Covid-19 pandemic.

# ROE, Earnings Sharing, CSPM, EAMs

- ROE – 9.25% and Earnings Sharing
  - > 9.75% but <10.25% is 50/50 Customer/Company (1/2 of Co's share for SIR)
  - = or > 10.25% but <10.75% is 75/25 Customer/Company
  - = or >10.75% is 90/10 Customer/Company
- Customer Service Performance Mechanisms (Con Edison Risk)
  - Commission Complaints (Max. 6, 9 and 10 BPs in RYs1-3)
  - Emergency Interactions Survey (Max. 3, 4.5 and 7.5 BPs in RYs 1-3)
  - Non-Emergency Interactions Survey (Max. 3, 4.5 and 7.5 BPs in RYs 1-3)
  - Call Answer Rate (Max. 6, 9 and 10 BPs in RYs1-3)
  - Outage Notification (\$300K per communication activity, up to an \$8M limit)
- Earnings Adjustment Mechanisms – maximum 46BPs, not including up to 10 BPs for managed charging: Smart Bldg. Electrification (E and G), DR, Light Duty Vehicle Emissions, Transportation Interconnection Timeline, DER Utilization (energy storage and solar), and Managed Charging (BPs TBD in a collaborative)

# Negative Revenue Adjustment (NRA) for Estimated/Delayed Billing (New)

Metric 2: Electric commercial demand, NYPA Electric, Gas commercial (~320K services or 7%)

## RY1

$\geq 35\%$  – No NRA

$<35\%$  and  $\geq 17.5\%$  - 1 basis point

$<17.5\%$  and  $>0\%$  - 2 basis points

No reduction from baseline or increase from baseline - 3 basis points

## RY2

$\geq 50\%$  – No NRA

$<50\%$  and  $\geq 35\%$  - 1 basis point

$\leq 35\%$  and  $\geq 20\%$  - 2 basis points

$<20\%$  - 3 basis points

## RY3

$\geq 75\%$  – No NRA

$<75\%$  and  $\geq 60\%$  - 1 basis point

$<60\%$  and  $\geq 45\%$  - 2 basis points

$<45\%$  - 3 basis points

Company is at risk for \$10M each year over 3 years.

# Certain New Joint Proposal Provisions of Interest

- New provisions to the MAC and the NYPA OTH Statement section in the PASNY Tariff to credit customers for the revenue requirement impact of **any federal funding received under the Infrastructure Investment and Jobs Act** once the underlying project is in-service.
- Due to **on-going federal litigation**, the Company may incur charges or receive refunds from PJM Interconnection L.L.C. related to its former 1000 MW firm transmission service agreement. In the event the Company does incur such charges/refunds, it may recover/credit that amount from/to its Con Edison customers through the MAC and from/to NYPA through the NYPA OTH Statement.
- Costs incurred by the Company for implementation of new NWAs will be recovered over ten (10) years.
- Costs incurred by the Company for implementation of new NPAs will be recovered over twenty (20) years.
- The Company will implement a **price guarantee for new or existing residential customers under SC 1 Rate IV operating either air source heat pumps or ground source heat pumps (no more than 500 for each) for research purposes and limited to the term of the rate plan. Credit will be for the difference between SC1 Rate IV and SC1 Rate I** on a total bill basis for full-service customers and on a delivery-only basis for retail access customers.



# Certain New Joint Proposal Provisions of Interest (Continued)

- The Company's gas rate design reflects a 10-year phase-out of declining block rates in SC 2 and SC 3.
- Extends the Business Incentive Rate application period during the term of the new rate plan, and update the Biomedical Research Program by extending by two years the term for BIR rate reductions **for existing customers**, and **for new customers** application terms through December 31, 2025 will be 12 years, and application terms after January 1, 2026, will revert back to 10 year terms.
- The Company will file annual reports to provide information on the interruptible discount for each year, including information on movement from IT to firm and from firm to IT and will explain in its next base rate filing its recommendation on the interruptible discount based on its analysis of the information.
- During the term of the Electric Rate Plan, Con Edison will implement two front of the meter energy storage projects,
  - Freshkills in Staten Island (battery will discharge for up to 4 hours with an output of 11.6 MW / 46.4 MWh to provide peak shaving, distribution and substation contingency support, voltage support, renewable energy support, and participate in the wholesale market.
  - Glendale in Queens (battery will discharge for up to 4 hours with an output of 5.8 MW / 23.3 MWh to provide peak shaving, distribution and substation contingency support, voltage support, renewable energy support, participate in the wholesale market, and contribute to the reliability and resiliency for disadvantaged neighborhoods in Maspeth, Queens.

# Conservation Voltage Optimization

- On January 5, 2023, the Company reached out to high tension customers to request that they provide updated diagrams by January 19, 2023 or as soon as reasonably possible. This information will be used to help develop the tool for sharing voltage data with high tension customers (the "Tool").
- Once Con Edison develops the Tool, it will work with its high-tension customers to demonstrate how the Tool works and to assist the customers in using the Tool and the power quality information the Company will provide to calculate voltage on the load side of the customer's transformer(s).
- The Company will meet with high tension customers by June 15, 2023 to review the status of its development of the Tool, and to further discuss its plans for providing power quality information to the customers.
- 45 days prior to increasing CVO in a network beyond the prior CVO peak, the Company will send a written notice to all high-tension customers fed by that network. If the Company receives notification from any of these customers within the 45 day period that customer work is required to prepare the customer equipment for the voltage change, the Company will delay the planned additional voltage optimization for the network until the customer has made necessary changes to its equipment, up to three months from the original notification date. The Company is only required to provide prior notice to high tension customers: (1) if it is increasing CVO level beyond the prior CVO peak or (2) making a "permanent" change to the existing CVO level. The Company will work with high tension customers if the three-month period is not sufficient for the customer to complete any adjustments to its equipment required by CVO. The Company is permitted to implement CVO if a customer fails to work in good faith with the Company to address issues on their side of the meter.

# Building Energy Usage Data

- On December 15, 2022, the Company provided a plan to redesign the software architecture as needed so that the data provided to building owners is complete, accurate and timely (timely meaning no more than one day between request and substantive response). The redesign plan included a preliminary timeframe for project completion, which the Company anticipates would be prior to RY3.
- By February 1, 2023, the Company was to have completed its ongoing improvements to its Energy Efficiency Benchmarking Portal.
- Con Edison will meet with representatives of the NYC and other interested stakeholders on a monthly basis, starting as of November 2022, to review the status of the project, etc.
- Con Edison will conduct quality assurance and quality control activities on a statistically significant portion of the data set each year to confirm its completeness and accuracy.
- Con Edison will provide an annual informational report to the Commission within 60 days after the end of the rate year, regarding the status of the improvements and redesign plan, until the redesign plan is implemented.

## Selective Undergrounding Pilot Program, Certified Natural Gas Pilot

- Selective Undergrounding Pilot

Authorized at \$75M over the three years covered by this Proposal. The Company will identify and prioritize sections of Con Edison's overhead distribution system, where customers frequently experience outages caused by severe weather, for undergrounding under this Pilot Program.

- Certified Natural Gas Pilot

- Company will implement a pilot program designed to allow for the procurement of certified gas, during the rate period, limited to an annual cost above traditional supplies of \$800,000 per year. Procured certified gas will be recovered similarly to other natural gas purchases through the GCF.
- The Company will file an annual report each May with the Secretary under Case 22-G-0065, describing the progress of the pilot to date and meet with Staff each June to review the report.

# 22-S-0659 Con Edison Steam Rate Case

- 11/8/22 - 18-M-0084 Separate Con Ed Petition filed for steam specific energy efficiency projects and for a Steam Revenue Decoupling Mechanism
- 11/23/22 – 22-S-0659 - Con Edison filed its Steam Rate Case
  - Proposed revenue requirement increase of \$136.718M (a 34% increase in delivery and a 26% increase in the overall bill) for RY1 ending 10/31/24.
  - According to the Con Ed Accounting Panel, the primary drivers for the requested increases are
    - NYC property taxes (\$73M or 53% of the increase) and
    - the sales forecast (\$66M or 48% of the increase).
    - These two items are partially offset by a \$26M decrease in the Company's O&M and a \$33M decrease in Income Taxes and Other changes.
  - Proposed revenue requirement increase of \$53.955M for RY2 ending 10/31/25.
  - Proposed revenue requirement increase of \$49.294M for RY3 ending 10/31/26.
  - 2/10/23 – In the **Company's Updates to Testimony** and Exhibits, it **increased its revenue requirement ask for RY1 by approx. \$4M for a revenue requirement increase of \$141M.**
- NYECC has served twelve sets of Interrogatories on Con Edison so far.

## Steam Rate Case Schedule:

- 3/24/23 - Filing of Staff and Intervenor (NYECC) Direct Testimony and Exhibits
- 4/21/23 - Filing of Rebuttal Testimony and Exhibits
- 5/2/23 - Commencement of Evidentiary Hearing