



Matthew Ketschke
President

November 22, 2022

Hon. Michelle L. Phillips, Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, New York 12223

Dear Secretary Phillips:

For over 140 years, Con Edison's steam system has served Manhattan's energy needs. Today, more than 1,500 customers, including hospitals, office buildings, residential complexes, museums, hotels, small businesses, and iconic New York City landmarks rely on Con Edison steam for heating, domestic hot water, cooling, sterilization, and other purposes.¹ Our customers – and the millions of New Yorkers they represent – count on our steam system every day.

Customers are also counting on us to help pave the way to the clean energy future. As New York State implements the Climate Leadership and Community Protection Act and New York City implements Local Law 97, customers are counting on our steam system to help them comply with emissions reductions requirements or to meet their own clean energy goals. For example, many steam customers are landmark buildings or have other characteristics that make it challenging for them to convert to electric heating.

Con Edison believes that the steam system must be an integral part of the portfolio of solutions necessary to achieve our clean energy future, and we are ready to meet that challenge. Steam already has the lowest carbon dioxide emission rate of any New York City energy system,² and we plan to build on that success.

To achieve these goals, Con Edison is proposing a new steam rate plan, effective November 1, 2023. The new rate plan will fund investments needed to keep the steam system safe and reliable, reduce emissions, and make progress on our Clean Energy Commitment.³ As a Company, we aim to have net zero direct emissions by 2040. Decarbonizing our steam system, which accounts for 85 percent of our direct emissions, is a critical step towards meeting this 2040

¹ See Case 03-S-1672, Order on Consolidated Edison Company of New York, Inc.'s Steam Business Development Plan (Issued and Effective December 5, 2005).

² See NYC Administrative Code § 28-320.3.1.1.

³ <https://www.coned.com/en/our-energy-future/our-energy-vision/our-energy-future-commitment>.

goal. Investing in our steam system will also reduce our customers' carbon footprint and support the cost-effectiveness of policy efforts to encourage heating and transportation electrification by reducing demands on the electric system during winter and summer peak periods, which could help reduce electric system investments. Among other things, our proposed rate plan includes:

- **Core Investments** in our steam production and distribution assets to keep our system running safely, reliably, and efficiently, including:
 - Boiler asset upgrades
 - Steam main assessment program
 - Steam distribution asset rebuild and replacements
 - System assessment, inspection, and monitoring enhancements
 - Migration of asset records to a Geographic Information System mapping platform
- **Decarbonization Demonstration Projects** that will benefit customers while testing technology that reduces our carbon footprint, including:
 - Energy Efficiency Program
 - Industrial Heat Pumps
 - Low Carbon Fuels
 - Electric Boilers
 - Localized Hot Water Loops
 - Carbon Capture
- **New and Expanded Customer Programs** to prepare customers for the clean energy transition, including:
 - Helping gas and oil customers evaluate their energy options
 - Smart metering enhancement program
- **Continued Resilience Investments** that will keep our steam system strong in the face of more frequent and severe weather

Our new rate plan will also enable the Company to recover the steam system's costs so that it can remain financially sustainable and capable of cost-effectively attracting the capital required to contribute to the clean energy future. In addition, as we develop and implement new energy efficiency programs, we are proposing revenue decoupling to eliminate any disincentive to encourage customers to reduce consumption, which will also help keep the steam system financially sustainable.⁴

⁴ On November 8, the Company filed a petition requesting authorization to implement a steam-specific energy efficiency program. *See* Case 18-M-0084, *In the Matter of a Comprehensive Energy Efficiency Initiative*, Petition of Consolidated Edison Company of New York, Inc. for Commission Authorization to Provide Energy Efficiency Incentives to Steam Customers and to Implement Revenue Decoupling Mechanism (filed November 8, 2022). Consistent with Commission precedent that recognizes the link between energy efficiency and revenue decoupling, *see* Case 03-E-0640 et al., *Proceeding on Motion of the Commission to Investigate Potential Electric Delivery Rate Disincentives Against the Promotion of Energy Efficiency, Renewable Technologies and Distributed Generation*, Order Requiring Proposals for Revenue Decoupling Mechanisms (Apr. 20, 2007), the Company also requested a revenue decoupling mechanism in its November 8 petition. Adopting revenue decoupling for the steam business is

A. Revenue Requirement

To fund the investments discussed above and meet increased operating expenses, like New York City property taxes, the proposed rate plan requests authorization to collect approximately \$137 million more in steam revenue. This revenue requirement results in an overall steam customer bill increase of approximately 26 percent,⁵ which translates to a three percent compounded annual bill increase over eight years, or since 2016, the last time the Company had a steam base rate increase.⁶

The proposed rate increase is primarily attributable to two categories: local property taxes and an updated sales forecast. Our spending requests, as described above, are centered around meeting State and City decarbonization goals.

1. New York City Property Taxes

Higher property taxes account for approximately \$73 million of our proposed request, approximately half of the total increase.⁷ We make every effort to reduce the property taxes that our customers bear, including contesting our tax assessments.⁸ But final property taxes, which are approximately one-quarter of total steam costs, are ultimately not within our control.

2. Updated Sales Forecasts

Our steam revenue requirements are converted to rates by allocating them across expected sales volumes. If actual sales are equal to forecasted sales, the rates result in Con Edison recovering the authorized revenue requirement. Actual steam sales, however, have been lower than the forecasts used to set current rates. Our proposed revenue requirement is based on revised sales forecasts that align with forecasted customer usage levels that are lower than the sales forecasts underlying current rates. This accounts for the remaining half of the proposed revenue requirement increase.

The revenue decoupling mechanism the Company is proposing for energy efficiency also would have the effect of providing revenue stability for both customers and the Company going forward. Implementing this mechanism would align our steam utility with the State's major electric and gas utilities.

consistent with the Commission's policy of requiring revenue decoupling for the State's major electric and gas utilities.

⁵ From a delivery standpoint, the bill impact is an increase of 34 percent.

⁶ The revenue and bill impact calculations exclude the effect of changes outside the Commission-approved base rate level related to the expiration of the tax sur-credit. The bill impact including the effect of the expiration of the tax sur-credit is approximately 31 percent. *See* Appendix C for further detail.

⁷ To avoid situations where the property tax estimates used to set rates are different from actual property taxes and result in large deferrals to be collected/returned from/to customers in the future, we are proposing a new symmetrical rate adjustment mechanism that would recover/credit such differences.

⁸ If, as the Company has advocated, Steam had been hypothetically taxed at the City's Class 4 tax rate instead of the Class 3 Utility Rate, the Company would have paid approximately \$100 million less in steam property taxes since the beginning of the last rate agreement.

B. Proposed Rate Term

We are proposing a one-year steam rate plan, effective November 1, 2023, but intend to explore a multi-year rate plan in settlement discussions with the Department of Public Service and other interested parties. A multi-year rate plan benefits customers by providing rate certainty for the duration of the plan and by facilitating implementation of the Company's investments, which will occur over multiple years.

C. Revised Tariff Leaves, Effective Date and Public Notice

Our proposed rate plan requires changes to our steam tariff, including increases to the charges for steam service and changes to other provisions of the steam tariff. Included as appendices to this letter are the list of revised Tariff leaves, descriptions of changes, and revenue impacts as follows:

- Appendix A – List of Revised Steam Tariff Leaves
- Appendix B – Proposed Changes to the Steam Tariff
- Appendix C – Steam Revenue Impacts
- Appendix D – Typical Customer Bill Impacts

The revised Tariff leaves are issued as of November 22, 2022, to become effective December 23, 2022. We respectfully request that the Commission suspend the effective date and, unless the Company subsequently requests otherwise, approve and make the proposed Tariff leaves effective on and as of November 1, 2023.

The Company will provide public notice of the Tariff changes proposed in this filing by means of newspaper publication once a week for four consecutive weeks prior to December 23, 2022. In addition, with this filing, we have included draft Notices of Proposed Rulemaking in the form required by the State Administrative Procedure Act and the Commission's form regarding consent to receive electronic-only service of Commission orders.

We know that building the clean energy future is a challenge. But we are a Company that takes on challenges. A strong, sustainable steam business is good for customers and necessary to achieving New York State's and New York City's clean energy goals. We are proud to serve New York City's energy needs, and we look forward to engaging with our customers and stakeholders on our plans.

Very truly yours,

CONSOLIDATED EDISON COMPANY OF NEW YORK



Matthew Ketschke
President

Appendix A

PSC No. 4 – Steam: List of Revised Steam Tariff Leaves

<u>Leaf No.</u>	<u>Revision No.</u>	<u>Superseding Revision No.</u>	<u>Leaf No.</u>	<u>Revision No.</u>	<u>Superseding Revision No.</u>
3	4	3	50	4	3
4	2	1	51	5	4
5	1	0	53	4	3
20	4	3	54	4	3
24.1	2	1	58	2	1
33	1	0	60	1	0
38	1	0	61	2	1
38.1	1	0	63	2	1
39	5	4	68	12	11
40	3	2	71	11	10
41	3	2	73	10	9
42	11	10	74	10	9
42.1	3	2	78	7	6
43.1	2	1	79	7	6
44	4	3	81	11	10
45	4	3	83	10	9
46	1	0	84	10	9
47	1	0	88	7	6
48	1	0	89	7	6
49.1	2	1	91	11	10
49.2	2	1	92	11	10
49.3	2	1	93	11	10
49.4	2	1	94	11	10
49.5	2	1	95	4	3
49.6	3	2	102	11	10
49.7	3	2	103	11	10
49.8	3	2	104	11	10
49.9	2	1	105	11	10
49.10	3	2	106	2	0
49.11	3	2	107	4	3
49.12	5	4	108	1	0
49.13	1	0	109	1	0
49.14	2	1	110	3	2

Proposed Changes to the Steam Tariff

<u>Section</u>	<u>Leaf #s</u>	<u>Description of Tariff Change</u>	<u>Testimony Panel</u>
<u>SC Rate Changes</u>			
SC 1 - SC 5	68, 71, 73, 74, 81, 83, 84, 91-94	Updated rates.	SRP
<u>Tariff Changes</u>			
<u>RDM</u>			
General Information 5.3 - RDM	42, 42.1	Added the Revenue Decoupling Mechanism Adjustment.	SRP
<u>Supported by Other Panels</u>			
General Information 3.10 - Charge for Replacing a Damaged Meter and/or Associated Equipment	38	Updated charge to be at cost.	
General Information 4 - Special Services Performed by the Company for Customers at a Charge	39, 40, 41	Updated charges for temporary disconnection/reconnection of service, investigation at the premises, and steam repairs and other services.	SIOP
SCs 2 and 3, Special Provisions D and E	78, 79, 88, 89	Extended steam air conditioning discount through this Rate Plan.	SIOP
SC 6	4, 43.1, 44-47, 53, 102-110	Deleted SC 6 and SC 6 references.	SIOP
GR 2 - Definitions	5	"Or a remote reading" was added to the definition for an actual reading.	SRP
GR 3.3 - Customer's Piping and Equipment	20	Specified customer installation requirements to better enable for AMI communications.	SRP
Rider H	3, 43.1, 49.7-49.9	Added the Voluntary Clean Energy Program.	CLCPA
General Information Section 8.3 – Average Cost of Fuel	51	To allow for recovery of costs related to purchases of additional fuel types and financial products.	CLCPA and SIOP
General Information 8.5 - Annual Adjustment	48, 50, 54	Eliminated the Annual Adjustment and all references to it.	Fuel
<u>Other Changes</u>			
General Information 3.5 - Notices	33	Added rules for letter of authorization.	SRP
General Information 5.1 - Tax sur-credit	42	Transfer to base rates starting November 1, 2023.	SRP
SC 4	95	Updated the annual carrying charge percentage associated with interconnection charges.	SRP
<u>Housekeeping Changes</u>			
General Information 3.4.6 - Backbills	24.1	Typo - 3.4.5 should be 3.4.6.	SRP
General Information 3.11 - Charge for Investigating a Broken Company Seal	38.1	Indicate that a customer may be charged for a broken seal pursuant to General Information Section 3.4.3.a.	SRP
General Information 4.1.2.b. - Historical Usage and Billing Information	40	Added that the Company will provide customer information free of charge if the request is a part of a specific billing dispute.	SRP
	3, 43.1, 49.1-49.14, 50, 51, 53, 54		
Riders F & G	51	Remove because obsolete and delete references.	SRP
General Information Section 8.3 – Average Cost of Fuel	51	Deleted obsolete provisions related to coal as a fuel source.	SRP
General Information 8.4 - Special Monthly Adjustments	53	Deleted an obsolete provision.	SRP
General Information 10A - Application for Steam Service	58, 60	Eliminated "84" at the beginning of the steam account #.	SRP
General Information 10A - Application for Steam Service	61	Made minor changes, such as relevant phone numbers.	SRP
General Information 10A - Application for Steam Service	63	Indicate tax-exemption forms are available	SRP

Legend

SRP - Steam Rate Panel

SIOP - Steam Infrastructure & Operations Panel

CLCPA - Climate Leadership and Community Protection Act

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

STEAM - Estimated Change on Customers' Bills and Company Revenues Resulting from
Proposed Steam Rates - Based on Sales and Revenues for the Twelve Months Ending October 31, 2024
(Excluding Tax Sur-Credit) ⁽¹⁾

Service Classification	<u>Delivery Revenue at</u> ⁽²⁾		<u>Total Revenue at</u>		<u>Change from Present Rates</u>			<u>Estimated Number of Customers' Bills</u> ⁽³⁾		
	Present Rates Effective 1/1/2022	Proposed Rates to be Effective 11/1/2023	Present Rates Effective 1/1/2022	Proposed Rates to be Effective 11/1/2023	Change	Delivery Revenue	Total Revenue	Increased	Decreased	Unchanged
	(1)	(2)	(3)	(4)	(5)=(4)-(3)	(6)=(5)/(1)	(7)=(5)/(3)	(8)	(9)	(10)
1 - General Service	\$19,293,154	\$27,233,964	\$23,572,576	\$31,513,385	\$7,940,809	41.2%	33.7%	4,691	0	0
2 - Annual Power Service - Rate I - Non Demand	73,394,924	98,800,643	90,473,631	115,879,350	25,405,719	34.6%	28.1%	4,224	0	0
2 - Annual Power Service - Rate II - Demand	190,970,746	256,414,839	257,626,041	323,070,131	65,444,090	34.3%	25.4%	3,036	0	0
3 - Apartment House Service - Rate I - Non Demand	57,457,638	77,009,905	76,931,951	96,484,217	19,552,266	34.0%	25.4%	5,064	0	0
3 - Apartment House Service - Rate II - Demand	47,920,767	64,382,850	67,457,155	83,919,239	16,462,084	34.4%	24.4%	1,524	0	0
4 - Backup/Supplementary Service	<u>9,687,365</u>	<u>11,599,751</u>	<u>12,147,090</u>	<u>14,059,474</u>	<u>1,912,384</u>	19.7%	15.7%	180	0	0
Total	\$398,724,594	\$535,441,952	\$528,208,444	\$664,925,796	\$136,717,352	34.3%	25.9%	18,719	0	0

Notes:

⁽¹⁾ Excludes the effect of changes outside the Commission-approved base rate level related to the expiration of the tax sur-credit.

⁽²⁾ Delivery revenue is total revenue less fuel related revenue and taxes associated with fuel.

⁽³⁾ Based on usage for the 12-month period ended December, 2020.

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

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	(1)	(2)	(3)	(4)	(5)=(4)-(3)	(6)=(5)/(1)	(7)=(5)/(3)	(8)	(9)	(10)
1 - General Service	\$18,394,069	\$27,233,964	\$22,673,491	\$31,513,385	\$8,839,894	48.1%	39.0%	4,691	0	0
2 - Annual Power Service - Rate I - Non Demand	68,706,538	98,800,643	85,785,245	115,879,350	30,094,105	43.8%	35.1%	4,224	0	0
2 - Annual Power Service - Rate II - Demand	181,889,968	256,414,839	248,545,263	323,070,131	74,524,868	41.0%	30.0%	3,036	0	0
3 - Apartment House Service - Rate I - Non Demand	54,376,101	77,009,905	73,850,414	96,484,217	22,633,803	41.6%	30.6%	5,064	0	0
3 - Apartment House Service - Rate II - Demand	45,524,926	64,382,850	65,061,314	83,919,239	18,857,925	41.4%	29.0%	1,524	0	0
4 - Backup/Supplementary Service	<u>9,318,048</u>	<u>11,599,751</u>	<u>11,777,773</u>	<u>14,059,474</u>	<u>2,281,701</u>	24.5%	19.4%	180	0	0
Total	\$378,209,650	\$535,441,952	\$507,693,500	\$664,925,796	\$157,232,296	41.6%	31.0%	18,719	0	0

Notes:

⁽¹⁾ Includes the effect of changes outside the Commission-approved base rate level related to the expiration of the tax sur-credit.

⁽²⁾ Delivery revenue is total revenue less fuel related revenue and taxes associated with fuel.

⁽³⁾ Based on usage for the 12-month period ended December, 2020.

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

Steam - Typical Customer Bill Impacts
(Excluding Tax Sur-Credit) ⁽¹⁾

<u>Service Class</u>	<u>Typical Usage</u>	<u>Total Monthly Bill at</u>		<u>Change</u>	<u>Percent Change</u>	
		<u>Present Rate</u>	<u>Proposed Rate</u>		<u>Monthly Delivery</u>	<u>Total Monthly</u>
		<u>1-1-22</u>	<u>11-1-23</u>		<u>Bill</u> ⁽²⁾	<u>Bill</u>
SC 1	Monthly Usage = 100 Mlbs	\$5,137	\$6,866	\$1,730	41.2%	33.7%
SC 2 Non Demand	Monthly Usage = 750 Mlbs	27,690	35,308	7,618	34.6%	27.5%
SC 2 Demand	Monthly Usage = 4,800 Mlbs Peak Demand = 20 Mlbs/hr	122,197	152,588	30,391	35.0%	24.9%
SC 3 Non Demand	Monthly Usage = 900 Mlbs	25,109	31,340	6,232	34.0%	24.8%
SC 3 Demand	Monthly Usage = 4,900 Mlbs Peak Demand = 20 Mlbs/hr	123,210	153,201	29,991	34.4%	24.3%

Notes:

⁽¹⁾ Excludes the effect of changes outside the Commission-approved base rate level related to the expiration of the tax sur-credit.

⁽²⁾ Delivery revenue is total revenue less fuel related revenue and taxes associated with fuel.

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

Steam - Typical Customer Bill Impacts
(Including Tax Sur-Credit) ⁽¹⁾

<u>Service Class</u>	<u>Typical Usage</u>	<u>Total Monthly Bill at</u>		<u>Change</u>	<u>Percent Change</u>	
		<u>Present Rate</u>	<u>Proposed Rate</u>		<u>Monthly Delivery</u>	<u>Total Monthly</u>
		<u>1-1-22</u>	<u>11-1-23</u>		<u>Bill</u> ⁽²⁾	<u>Bill</u>
SC 1	Monthly Usage = 100 Mlbs	\$4,941	\$6,866	\$1,925	48.0%	39.0%
SC 2 Non Demand	Monthly Usage = 750 Mlbs	26,105	35,308	9,202	45.1%	35.3%
SC 2 Demand	Monthly Usage = 4,800 Mlbs Peak Demand = 20 Mlbs/hr	117,374	152,588	35,214	42.9%	30.0%
SC 3 Non Demand	Monthly Usage = 900 Mlbs	24,009	31,340	7,331	42.5%	30.5%
SC 3 Demand	Monthly Usage = 4,900 Mlbs Peak Demand = 20 Mlbs/hr	118,753	153,201	34,448	41.6%	29.0%

Notes:

⁽¹⁾ Includes the effect of changes outside the Commission-approved base rate level related to the expiration of the tax sur-credit.

⁽²⁾ Delivery revenue is total revenue less fuel related revenue and taxes associated with fuel.