



Consolidated Edison Company
of New York, Inc.
4 Irving Place
New York NY 10003
www.conEd.com

July 28, 2011

Honorable Jaclyn A. Brillling
Secretary
State of New York
Public Service Commission
Three Empire State Plaza
Albany, New York 12223

**RE: Case 09-S-0794, Steam Rate Plan, and Case 09-S-0029, Hudson Avenue --
Steam Peak Reduction Pilot Programs**

Dear Secretary Brillling:

Enclosed for filing with the Public Service Commission (the "Commission") are tariff amendments issued by Consolidated Edison Company of New York, Inc. (the "Company") to the Company's Schedule for Steam Service, P.S.C. No. 4 – Steam (the "Steam Schedule"). The Company proposes to establish Rider F - Demand Response ("DR") Pilot Programs and Rider G - Customer Sited Supply ("CSS") Pilot Program. The Company also proposes cost and lost revenue recovery through the Special Monthly Adjustments and the cost of fuel, as applicable.

The leaf numbers being filed are identified in Attachment A. The leaves have a proposed effective date of October 17, 2011.

Reason for Filing

In its Order Regarding the Hudson Avenue Generating Facility in Case 09-S-0029, issued December 17, 2009 (p. 33), the Commission stated that it expected the proceeding to examine – and the Company to undertake where warranted – cost-effective measures to reduce the need for generation at Hudson Avenue, thereby deferring or eliminating the need to install all of the planned package boilers at the site. In response, the Company, the Department of Public Service ("DPS") Staff, and other interested parties established the Steam Peak Reduction Collaborative ("SPRC")¹ to examine, among other issues, DR and other measures to mitigate the need for replacement capacity at the Hudson Avenue Generating Station.

¹ The key SPRC participants were the Company, DPS Staff, the City of New York, Consumer Power Advocates, The New York Energy Consumers Council, New York State Energy and Research Development Authority, the County of Westchester, and Gas Alternative Systems.

On April 11, 2011, pursuant to the Steam Rate Plan adopted by the Commission in Case 09-S-0794,² the Company submitted the Steam Operations SPRC Report (the “SPRC Report”) to the Commission. The SPRC Report, which reflected input by the SPRC participants, contained the results of the SPRC discussions.

The SPRC Report concluded that, along with other programs/measures to reduce its steam peak, the Company should establish pilot programs for DR and CSS. The tariff amendments attached hereto and generally described below are made pursuant to the SPRC Report’s conclusions regarding DR and CSS.

Description of Tariff Amendments

Rider F - DR Pilot Programs

Rider F establishes two DR pilot programs, a Winter Pilot Program (November 1, 2011 through March 31, 2012) and a Summer Pilot Program (April 1, 2012 through October 31, 2012). The DR pilot programs are intended to enable the Company to gauge the effectiveness by which the steam system peak load can be managed by customer DR. The DR pilot programs will be applicable to customers who take service under SC 2 Rate II, SC 3 Rate II, SC 4 Rate III, or SC 4 Rate IV.

Total participation is limited to no more than twelve customers in the Winter Pilot Program and twelve customers in the Summer Pilot Program, for an aggregate maximum load reduction of 120 Mlb/hour in each pilot program. Customers taking service under Special Provision D or Special Provision E of SC 2 or SC 3 are not eligible to participate in the Summer Pilot Program. Customers taking service under Rider G are not eligible to participate in either the Winter or Summer Pilot Program. Customers served under this Rider cannot incorporate, as part of their Load Reduction measures, switching to electric chillers during the months of June to September or switching to gas boilers during the months of November through March.

The Company will accept applications for the Winter Pilot Program through October 25, 2011, for a November 1, 2011 commencement date, and applications for the Summer Pilot Program through March 15, 2012, for an April 1, 2012 commencement date.³ Completed applications will be evaluated, on a first come, first served basis, based on the Company’s assessment of reduction potential, customer capability to participate, and available demand measurement tools (e.g., detailed facility logs). To participate, the Company must have three years of valid winter and/or summer demand data for the customer’s premises, so that the Company can determine the Customer Load Peak (“CLP”).⁴

² Case 09-S-0794, Order Establishing Three-Year Steam and Gas Rate Plans and Determining East River Repowering Project Cost Allocation Methodology, issued September 22, 2010 (“Steam Rate Order”).

³ The Company, in its sole discretion, may accept applications after the deadline if the program is not fully subscribed.

⁴ The Company will determine the CLP for each participant for the five hours of the Load Reduction Period (“LRP”) based on that customer’s historical hourly peak demand and the weather profile during the LRP, with the result

Participants must contract to provide at least 2 Mlb/hr but no more than 10 Mlb/hr of load reduction (“Contracted Load Reduction” or “CLR”) during all hours of each LRP. The LRP refers to the five-hour period on a weekday, excluding holidays, during which the Company requests load reduction.⁵ The period is 6 a.m. to 11 a.m. during the Winter Pilot Program. The five-hour period will be designated by the Company at least 24 hours before each LRP is designated during the Summer Pilot Program.

The Company will designate no more than five LRPs during each pilot program. The Company may designate an LRP during the Winter Pilot Program when the Company expects to experience a steam peak load of at least 96% of the forecasted winter peak demand.⁶ It may designate an LRP during either the Winter or Summer Pilot Program if the Company identifies opportunities to test the performance of the DR Pilot Program. The Company will provide customer notification at least 24 hours in advance of commencement of an LRP. Additional details of the program will be set forth in a Steam DR Procedure that will be posted on the Company’s website.

Customers enrolled in the Winter Pilot Program will receive a one-time advance payment of \$2,000. Customers enrolled in the Summer Pilot Program will receive a one-time advance payment of \$1,000. If the Company can verify a participant’s load reduction of at least 2 Mlb/hour during the hour of the maximum registered demand during an LRP, the Company will make payment to the customer. For performance during an LRP, the payment will be equal to \$40 per Mlb/hr of the actual Load Reduction provided during the hour of the maximum registered demand, but no more than the CLR, multiplied by five hours. If, during two requests for load reduction during the Winter Pilot Program or Summer Pilot Program, a customer provides less than 2 Mlb of load reduction during the hour of the customer’s maximum registered demand, such customer will be required to refund its advance payment. If, based on the Company’s review of the customer’s detailed operating information and/or logs, the Company believes that the customer had a legitimate reason for the nonperformance, the Company may, in its sole discretion, waive the requirement for refund.

Rider G - CSS Pilot Program

The CSS Pilot Program is intended to enable the Company to determine whether it can rely on customer-generated steam supply to meet its peak load obligations. Under Rider G, the Company will purchase steam from customers that have a combined heat and power (“CHP”) facility on their premises connected to the Company’s steam system and used primarily to serve

adjusted downward by five percent.

⁵ Although the SPRC Report (p. 17) indicated that LRPs would be called for up to five hours, the proposed pilot programs clarify the Company’s intention that all LRPs will be called for the full five hours. Accordingly, Customers considering participation in either or both pilots will better understand the extent of the load reduction efforts they will be expected to undertake.

⁶ This is similar to the criterion used by the Company’s electric DR programs that seek DR during the electric peak period.

the customer's heating, lighting and power needs at such premises. To participate under this Rider, the CHP facility must be a natural gas-fueled cogeneration facility that utilizes the Company's firm gas service for the delivery of gas supply to the CHP facility and captures the heat waste as a byproduct of electric production. The customer must be billed under SC 4 for its back-up/supplementary service or isolated from the Company's steam system for its on-site steam requirements.

Participation in the CSS Pilot Program will be limited to five customers for an aggregate steam supply of 50 Mlb/hr. Participants must be steam customers or applicants for steam service as of November 1, 2011. Applications will be evaluated based on various criteria (e.g., the effect of the CHP interconnection on the safety and integrity on the Company system) on a case-by-case basis. Customers taking service under the Demand Response Pilot Program (Rider F), operating a boiler-only plant (i.e., a boiler that is not associated with a CHP unit), or operating a CHP unit not associated with a host load in a building are not eligible to take service under this Rider.

The CSS Pilot Program commences on November 1, 2011. Each participant will have a term of service of five years under this Rider, which will continue thereafter unless the Company petitions the Commission to: (a) terminate service under this Rider to any participant at the end of such participant's five-year period and/or (b) terminate service under this Rider to all participants on or after October 31, 2018, whether or not one or more participants have completed their individual five-year terms, because continuation of the program is no longer in the best interests of the Company's steam customers.

Each customer must commit to export at least 2 Mlb/hr but no more than 40 Mlb/hr to the Company's steam system ("Maximum Steam Export Quantity"). The Company will purchase the full Maximum Steam Export Quantity from each customer, except: (1) when the Company's Energy Dispatcher determines that there is a low system load condition, operational transient, or contingency; (2) to preserve steam system operating integrity; or (3) during an emergency event on the steam system (i.e., a situation that threatens the health and safety of a person, the surrounding area, or the integrity of the Company's distribution system). Participants will be required to comply with the Company's dispatch requirements, which will be outlined in a CSS Procedure available on the Company's website.

The Company will make payments to a customer for the hours of operation directed by the Company's Energy Dispatcher, based on the lower of: (a) the steam export quantity registered on the meter for each hour or (b) the Customer's Maximum Steam Export Quantity. The quantity to which the payment rate will be applied will be converted to a Btu equivalent, assuming a fixed heat rate of 1,200 Btu/lb. The payment rate will be equal to the average of the last three days of the prior month's Henry Hub natural gas prices (as traded on the New York Mercantile Exchange), plus delivery basis.

Similar to service under SC 4 – Back-up/Supplementary Service, participating customers will be required to pay interconnection charges to the extent such costs are in excess of the Company's cost responsibility had the customer taken firm service under SC 2 or SC 3, as

applicable. Similar to the Company's electric SC 11 – Buy-back tariff, steam customers participating under this Rider will also be required to pay a customer charge and contract demand charge to recover the costs associated with the delivery of the customer's steam to the Company's system. The contract demand charge will be equal to the applicable SC 4 contract demand charge less generation capacity costs. The contract demand charge will be assessed per Mlb per hour of the contract demand in each monthly billing period. When service is taken under this Rider and under SC 4 through the same service connection: (a) the customer charge will be waived under this Rider; and (b) the contract demand charge under this Rider shall apply only to the contract demand in excess of the contract demand billed under SC 4.

The SPRC Report (p. 22) recognizes that a Rider G customer might be entitled to capacity payments in the future. If such a situation arises, the Company will file tariff changes to Rider G, as necessary.

Cost Recovery

The Company proposes to recover Rider G purchased power costs as part of its fuel costs recovered through the Monthly Adjustment. The Company proposes to recover the lost revenues (net of avoided costs, if any) and all program costs not recovered in rates associated with Rider F and Rider G (except for purchased power costs) through the Special Monthly Adjustments that are recovered through the Monthly Adjustment and reconciled through the Annual Adjustment. Lost revenues associated with Rider F will be calculated by multiplying the actual measured and verified load reduction during each LRP by the applicable service classification seasonal demand rates (per Mlb/hr) and usage rates less the base cost of fuel (per Mlb). The lost revenues related to Rider F are estimated to be \$0.9 million, or 0.2 percent of overall steam class pure base revenues based on the Rate Year ending September 30, 2012 ("RY 2").⁷ For Rider G, lost revenues will be determined on a case-by-case basis (e.g., if supplying steam to the Con Edison steam system enables a customer to economically develop and operate its own CHP unit).

As set forth in the SPRC Report, program costs associated with implementation and administration of Rider F are estimated to be \$0.4 million. This estimate is comprised of the: (1) estimated cost of advance payments (\$36,000); (2) customer payments to be made for load reductions (\$240,000) assuming the program is fully subscribed and the maximum of five LRPs are called in each of the Winter and Summer Pilot. Events; and (3) the estimated annual cost of one incremental staff person (\$100,000). Estimated implementation and administration costs for Rider G have not been determined at this point. As explained in the SPRC Report, the program costs for Rider G will likely include incremental costs for design and engineering as well as construction inspection, operation testing and training (e.g., overtime or use of outside expertise).

⁷ The \$0.9 million assumes: (1) the program is fully subscribed; (2) the Company calls the maximum number of LRPs during each of the Winter Pilot and Summer Pilot; and (3) there is no increase in sales or movement of sales during the Winter Period to the all-time peak billing period. For the Winter Peak Period (December to March) , the demand rates reflected in the computation of lost revenues are the proposed SC 2 Rate II rates that would take effect during RY 2 based on collection of 25% of winter peak period pure base revenues through the demand rates.

Ongoing annual costs for the Rider G would include incremental labor for engineering support, operations testing, monitoring, and steam operations program administration.

Notice and Conclusion

Copies of this filing are being forwarded electronically to all parties to Case 09-S-0794 and Case 09-S-0029.

To provide interested parties with an opportunity to ask questions about the proposed tariff amendments, the Company will schedule a conference call within the next 30 days.

Materials regarding the application processes for participation in the pilot programs will be forwarded electronically to all parties in Cases 09-S-0794 and Case 09-S-0029 on or before the date of the scheduled conference call and posted to the Company's website.

The Company will publish newspaper notice of this filing on August 5, 12, 19, and 26, 2011.

Sincerely,

/s/ Christine Colletti

Christine Colletti

Director

Rate Engineering Department

List of Tariff Leaves Effective October 17, 2011

PSC No. 4 - Steam

Leaf 49.1 – Version 0

Leaf 49.2 – Version 0

Leaf 49.3 – Version 0

Leaf 49.4 – Version 0

Leaf 49.5 – Version 0

Leaf 49.6 – Version 0

Leaf 49.7 – Version 0

Leaf 49.8 – Version 0

Leaf 49.9 – Version 0

Leaf 49.10 – Version 0

Leaf 49.11 – Version 0

Leaf 49.12 – Version 0

Leaf 49.13 – Version 0

Leaf 49.14 – Version 0

Leaf 50 – Revision 3
Superseding Version 2

Leaf 51 – Revision 2
Superseding Version 1

Leaf 53 – Revision 2
Superseding Version 1

Leaf 54 – Revision 2
Superseding Version 1