



Consolidated Edison Company  
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August 13, 2012

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

**Re: Case 09-S-0794, Steam Rate Plan - Rate Year 3**

Dear Secretary Brillling:

Enclosed for filing with the Public Service Commission (the "Commission") are revised schedule leaves issued by Consolidated Edison Company of New York, Inc. ("Con Edison" or the "Company") to its Schedule for Steam Service, P.S.C. No. 4 – Steam, applicable to its steam customers in the Borough of Manhattan, New York City.

The schedule leaves filed herewith are identified in Appendix A. The leaves have an effective date of October 1, 2012.

**Reason for Filing**

The Commission's Order Establishing Three-Year Steam and Gas Rate Plans and Determining East River Repowering Project Cost Allocation Methodology (the "Order"), issued and effective September 22, 2010, in Case 09-S-0794, *et al.*, adopted a three-year steam rate plan, whose terms and conditions are contained in Attachment 1 to the Order (hereinafter referred to as "the Rate Plan") as modified by Ordering Clause 1.

The Order provided for levelized base rate increases of \$49.5 million, including gross receipts taxes, in each of three Rate Years (*i.e.*, the 12 months commencing October 1). Accordingly, the Company is hereby filing rates for Rate Year 3 that provide for a base rate increase of \$49.5 million, inclusive of the \$31.7 million temporary surcharge to be collected through September 30, 2013.<sup>1</sup>

The temporary surcharge of \$31.7 million is reflective of the implementation of levelized rate increases of \$49.5 million in each of the three Rate Years, resulting in delivery rates being \$31.7 million higher at the end of the rate plan than they would otherwise have been under a non-levelized approach. Pursuant to the section II.A of Rate Plan (pp. 6-7), the portion of the Company's rates and charges included in the rates shown in each Service Classification that

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<sup>1</sup> See Appendix A, page 6, to the Rate Plan.

comprise the temporary surcharges for Rate Year 3 is described in new General Rule 5.1.b (Leaf 42) and set forth in class-specific surcharges on the new Statement of Temporary Surcharges.

Appendix B shows the estimated effect of the Rate Year 3 rate increase on customers' bills and Company revenues based on sales and revenues for the historical period, i.e., the twelve months ended June 30, 2009.<sup>2</sup>

### **Rate Changes**

#### **Allocation of Rate Increase among the Customer Classes**

The \$49.5 million revenue increase, excluding gross receipts taxes, was allocated to the Company's Service Classifications ("SC"s) pursuant to the Rate Plan.<sup>3</sup> Specifically, the revenue increase was allocated as follows:

- The Company applied an overall pure base rate percentage increase to Rate Year 2 pure base revenues in SC 1, the combined SC 2 Rate I and SC 4 Rate I, the combined SC 2 Rate II and SC 4 Rate III, the combined SC 3 Rate I and SC 4 Rate II, and the combined SC 3 Rate II and SC 4 Rate IV. The overall pure base rate percentage increase was developed by dividing the Rate Year revenue increase, less gross receipts taxes, by the total system Rate Year pure base revenues. Rate Year "pure base revenues" means service class base revenues less the base cost of fuel, which includes the component in the Customer Charge relating to the fuel costs associated with steam line losses ("fixed fuel component").
- For rate design purposes, each class's assigned Rate Year increase was restated on the basis of the historical period by dividing the Rate Year increases by a ratio representing the relationship of Rate Year pure base revenues to historical period pure base revenues.

No revenue increase was allocated to customers with negotiated contracts, since their charges are fixed by contract. Also, no revenue increase was allocated to SC 6, because there are presently no customers taking service under that SC.

#### **Rate Design within the Classes**

SC 1, 2 and 3 rates were designed to collect the increased revenue requirement assigned to each class. First, the Customer Charges were increased. The Customer Charges in SC 1 and in SC 3 Rate II, excluding the fixed fuel component, were increased by 1.1 times and 1.5 times the class's overall pure base revenue percentage increase, respectively. The SC 2 Rate I (Non-demand), SC 2 Rate II (Demand), and SC 3 Rate I (Non-demand) Customer Charges, excluding the fixed fuel component, were increased by each individual class's overall pure base revenue

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<sup>2</sup> The rate increase of \$49.5 million represents approximately an 11.1 percent increase to pure base revenues or a 6.1 percent increase on total bills.

<sup>3</sup> See Appendix H, page 3.

percentage increase. After increasing the Customer Charges, the applicable energy and demand rates in each class were proportionally increased to recover the balance of each class's assigned rate increase.

Pursuant to the Rate Plan,<sup>4</sup> SC 4 back-up/supplementary service rates and SC 6 transportation rates were designed consistent with the SC 4 and SC 6 rate designs approved by the Commission's December 1, 2000 Order,<sup>5</sup> *i.e.*, SC 4 and SC 6 rates were designed to recover the same revenues that would be recovered if all eligible customers were billed under the applicable SC 2 or SC 3 rates. Specifically, the Rate I Customer Charge in SC 4 and SC 6 was set equal to the revised SC 2 Rate I (Non-demand) Customer Charge; the Rate II Customer Charge in SC 4 and SC 6 was set equal to the SC 3 Rate I (Non-demand) Customer Charge; the Rate III Customer Charge in SC 4 and SC 6 was set equal to the revised SC 2 Rate II (Demand) Customer Charge; and the Rate IV Customer Charge in SC 4 and SC 6 was set equal to the revised SC 3 Rate II (Demand) Customer Charge. For SC 4, the balance of the required annual class revenues will be collected through Contract Demand Charges and winter Usage Charges. During the summer months, the Usage Charges applicable to on- and off-peak period customers will be equal to the base cost of fuel. For SC 6, the balance of required annual class revenues will be collected through the Contract Demand and Usage Charges.

### **Statements**

The Company is filing a revised Statement of Rate Adjustment Clause ("RAC") - RAC Statement No. 5 and a new Statement of Temporary Surcharges ("TEMP") - TEMP Statement No. 1, pursuant to sections V.G (p. 32) and II.A (pp. 6-7) of the Rate Plan.

### **Conclusion and Notice**

As directed by Ordering Clause 4 of the Order, the Company has filed its tariff amendments on no less than thirty days' notice, to take effect on a temporary basis, on October 1, 2012.

Publication of notice of these revisions is scheduled for August 24 and 31 and September 7 and 14, 2012. As directed by Ordering Clause 5 of the Order, the Company is serving copies of this filing electronically upon all parties to Case 09-S-0794 or, where a party cannot accept electronic service, by first class mail.

Sincerely,

/s/ Christine Colletti  
Director  
Rate Engineering Department

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<sup>4</sup> See Appendix H, page 3.

<sup>5</sup> Opinion and Order Adopting Terms of Settlement in Case 99-S-1621, issued December 1, 2000

PSC No. 4 - Steam  
List of Tariff Changes

<u>Leaf Number</u>	<u>Revision Number</u>	<u>Superseding Revision Number</u>
42	3	2
68	6	5
71	5	4
73	5	4
74	5	4
81	5	4
83	5	4
84	5	4
91	5	4
92	5	4
93	5	4
94	5	4
102	5	4
103	5	4
104	5	4
105	5	4

<u>Statement</u>	<u>Statement Type</u>	<u>Statement No.</u>
Statement of Rate Adjustment Clause	RAC	5
Statement of Temporary Surcharges	TEMP	1

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.  
 STEAM - Estimated Effect on Customers' Bills and Company Revenues Resulting from  
 New Steam Rates Effective October 1, 2012 - Based on Sales and Revenues for the Twelve Months Ended June 30, 2009

Appendix B

SERVICE CLASSIFICATION	TOTAL REVENUE AT CURRENT RATES EFFECTIVE 10/1/2011	TOTAL REVENUE AT PROPOSED RATES TO BE EFFECTIVE 10/1/2012	CHANGE * FROM CURRENT RATES	% CHANGE * FROM CURRENT RATES	ESTIMATED NUMBER OF CUSTOMERS' BILLS		
					INCREASED	DECREASED	UNCHANGED
1 - GENERAL SERVICE	\$33,220,220	\$35,737,900	\$2,517,680	7.6%	6,108	0	0
2 - ANNUAL POWER SERVICE - RATE I - NON DEMAND	\$105,029,582	\$112,560,851	\$7,531,269	7.2%	4,176	0	0
2 - ANNUAL POWER SERVICE - RATE II - DEMAND	\$477,714,540	\$505,601,108	\$27,886,568	5.8%	3,647	0	0
3 - APARTMENT HOUSE SERVICE - RATE I - NON DEMAND	\$102,574,801	\$108,978,148	\$6,403,347	6.2%	5,508	0	0
3 - APARTMENT HOUSE SERVICE - RATE II - DEMAND	\$127,885,525	\$135,026,608	\$7,141,083	5.6%	1,608	0	0
4 - BACKUP/SUPPLEMENTARY SERVICE	\$17,564,727	\$18,649,920	\$1,085,193	6.2%	156	0	0
TOTAL	\$863,989,395	\$916,554,535	\$52,565,140	6.1%	21,203	0	0

## Notes:

\* Based on sales and revenues for the rate year ending September 30, 2013, the increase in Con Edison Steam revenues equates to \$49.5 million or 6.1%.