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Q. Please state your name and business address.
A. My name is Charles Viemeister and my business address is Consolidated Edison Company of New York, Inc. (“Con Edison”), 4 Irving Place, New York, NY 10003.

Q. What is your present title at Con Edison?
A. I am the Section Manager of Steam Operations’ Business Development (“SBD”) group.

Q. What is your educational and professional background?
A. I graduated from Polytechnic Institute of New York with a Bachelor of Science Degree in Mechanical Engineering. I joined Con Edison in 2006 as a Senior Planning Analyst in SBD. I was also the Section Manager of Steam Operations Planning prior to assuming my present position of Section Manager of the SBD group in 2011. My previous experience includes Program Manager for the IT services provider TTI of NY, Inc. Prior to that I was the General Manager of Keyspan Business Solutions, LLC, where my responsibilities included marketing, sales and business development. Before that I managed all utility demand side management programs in the Northeast for Kentech Energy Management, Inc. Before that, I spent 12 years at Ebasco Services, Inc. where
I ultimately served as Manager of International Marketing and Sales for the Pacific Rim.

Q. Please describe your current responsibilities in the SBD group.

A. I am the Section Manager of Con Edison’s SBD group, which is responsible for attracting and retaining steam business for Con Edison.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to discuss: (1) the status of SBD’s attraction and retention efforts; (2) continuing efforts to promote the environmental benefits of steam; (3) customer satisfaction surveys; (4) SBD’s competitive position and challenges; and (5) proposed tariff changes.

STATUS OF STEAM BUSINESS DEVELOPMENT

Q. Please describe Con Edison’s SBD attraction and retention efforts.

A. Over the past three years, SBD has continued to develop and implement a sales and marketing program to acquire new accounts, develop the value of our existing accounts, and retain valuable accounts against rivals while managing steam peak loads in
order to avoid any need for additional steam production capacity. This program for attracting and retaining steam customers includes:

- An experienced staff of marketing, technical, and financial experts that is actively improving relationships with major steam customers and looking for strategic opportunities to attract new business and retain existing business.

- Information technologies that have been employed to support the business development efforts, including a customer relationship management system and a mapping and locational analysis tool.

- Strong business relationships that have been developed with key stakeholders through the assignment of account managers to each major customer and a continuing program of face-to-face customer contacts. As part of this program, several seminars and conferences have been held to provide information to our major customers and their representatives.

- A marketing communications program that supports the business development efforts. This includes promotional brochures, a website with interactive
features for customers, a program to promote the environmental benefits of district steam, and print advertisements in selected trade publications.

- A targeted marketing effort to identify potential steam business leads and lost business risks, meet with customers, developers, and consulting engineers, and provide cost/benefit analyses to customers and their key decision makers. The results of the attraction and retention program in 2011 were 10 new customers representing 106,000 Mlb of projected sales.

- Continued installation of vortex steam meters, which have been installed at approximately 800 customer locations, most of which replaced shunt flow meters. The vortex meters allow customers to connect to their building management system, track their own usage patterns, and gain better control over their steam usage.

Q. What steam business opportunities does the Company have as a result of the SBD measures described above?

A. We currently have 44 new business projects representing approximately 700,000 Mlb of additional annual sales committed to the steam system over the
period July 1, 2012 to June 30, 2015. The 44 new business projects plus the 10 new customers from 2011 are all included in the steam sales forecast. The SBD group is working on converting other new business opportunities into commitments by maintaining good relationships with engineers, architects, developers, vendors, and other energy decision makers, and providing them with information on the availability of service, possible incentives, pricing, and the benefits of district steam.

Q. How has the Company’s response to the cultural barriers identified by the Management Audit affected the way you conduct your business?

A. The Company has identified three cultural imperatives that are discussed in more detail by the Company’s Management Audit Panel. In this testimony I discuss SBD’s efforts to enhance the Company’s relationships with customers and other external stakeholders, efforts that are in addition to the customer attraction and retention efforts detailed above.

Q. Please describe those efforts.

A. For the past two years, SBD has participated in the Company’s Annual Corporate Customer Forum. The forum
provides customers with information on all current and new Company programs and also provides an opportunity for the Company to speak with customers on a more personal level.

Q. Has the Company initiated any other efforts to enhance its relationships with customers?

A. Yes. SBD has launched the Steam Interval Data Portal ("SIDP") which allows the Company’s demand billing customers direct access to their usage data used to calculate their monthly bills. The interval data shown in the SIDP is a snapshot of the customer’s usage (in pounds of steam) in 15 minute increments. This information can be used by customers to identify the time of day that their steam usage peaks, which can help customers better manage steam usage in the peak demand periods in order to reduce demand billing charges.

Q. Is SBD implementing any other programs to enhance the Company’s relationship with customers?

A. Yes. SBD is offering a new field service visit as part of its customer service and education programs. This service is part of the welcome package for new customers and will be provided once for free for
existing customers. The visit will include SBD personnel to discuss optimization opportunities and engineering personnel to educate customers on how the steam system works.

Q. Has SBD evaluated potential new business due to customers moving away from #4 and #6 residual fuel oil as required by the New York City ("NYC" or the "City") clean heat regulation that was issued in April 2011?

A. Yes, we have. SBD has worked with the Gas Operations and Energy Management Departments to evaluate possible opportunities to market steam to buildings within the steam footprint that are currently burning #4 or #6 residual fuel oil. We have estimated the potential for 10-15 buildings to convert from #4 or #6 residual fuel oil to steam over the seven years 2011 through 2017, three of which have already signed contracts to be new steam customers.

Q. Are the potential new customers from the #4 and #6 oil conversions reflected in the sales forecast?

A. The three buildings with signed contracts and four other potential oil to steam conversion customers have been incorporated into the sales forecast.

Q. Are there any other major markets for SBD to attract
new business?

A. Yes. There are areas of the City that will be undergoing major transformations as a result of rezoning efforts by the City. In particular, the Hudson Square and the Midtown East areas offer growth potential of several million square feet of new building space if these rezoning efforts are successful. Steam has existing customers in these areas that will naturally expand their service needs as they increase building space. Due to the proximity of steam distribution to the areas, there are also opportunities to serve newly constructed buildings or convert buildings to steam. SBD is contributing to the dialogue on the rezoning efforts and will provide information on the availability and the benefits of expanded or new steam service to existing and prospective customers. The environmental benefits of steam are expected to be a significant consideration. When the rezonings are formalized, SBD intends to solicit prospects with formal proposals for steam service.

EFFORTS TO PROMOTE THE ENVIRONMENTAL BENEFITS OF STEAM

Q. What has the Company done to promote the environmental
benefits of the steam system?

A. As part of our effort to promote new or expanded use of steam service, our strong environmental communications campaign emphasizes that steam supports federal, State, and City government environmental initiatives and goals. The following are some examples of the Company’s efforts in this area.

- In June 2009, Con Edison Steam was presented with the U.S. Environmental Protection Agency’s (“EPA”) 2009 Energy Star Combined Heat and Power (“CHP”) Award for East River Units 1 and 2. The environmental benefits of using the Company’s base loaded cogeneration stations to produce steam, central stations that run at higher load factors than individual buildings, is a key message in our environmental campaign.

- As part of our campaign, Con Edison provides customers with educational materials and assists them in gaining Leadership in Energy and Environmental Design (“LEED”) /Energy Star certification. The Company has worked with the EPA, the U.S. Green Buildings Council (“USGBC”), the NYC Office of Long Term Sustainability, the
International District Energy Association, and customers to gain greater recognition of co-generated district steam as a green energy source. As a result of this effort, in March 2011, the USGBC modified the LEED credit for optimizing energy performance to allow district energy customers to take credit for the energy efficiency of their district energy sources. For Con Edison steam customers, this may result in additional percentage points related to these credits. The fact that steam service facilitates obtaining LEED certification should encourage building owners and developers to decide to become steam customers or to expand their use of steam.

CUSTOMER SATISFACTION SURVEYS

Q. How have you gauged the success of your programs?
A. We receive feedback from our customers on an ongoing basis. The results of the semi-annual customer satisfaction surveys of customers who contact Con Edison, which are filed with the New York State Public Service Commission ("Commission"), indicate a high level of customer satisfaction (best in class rating over the last several years). Those who are satisfied
overall report that Con Edison responded quickly and
resolved their service issues, that their telephone
representative knowledgeably handled their issue, and
that their representative was attentive and helpful.
The Company has been working on maintaining this high
approval rating by addressing some of the lower ranked
but important service issues. This includes
addressing our cost of service and creating a more
common interface for our customers with all three
services – gas, electric and steam.

Q. Is the Company proposing any change to the current
survey requirement?

A. No, the Company is planning to continue this survey
effort during the Rate Year. For purposes of this
proceeding, the Company is not proposing to change the
current metric associated with conducting two surveys
per year, which includes providing a survey within one
month of the end of each six-month period; an annual
report within 90 days after the end of the Rate Year;
and a revenue adjustment of $50,000 if the Company
fails to conduct the two surveys and file the report.

SBD’S COMPETITIVE POSITION AND CHALLENGES
Q. What challenges does Con Edison face in its steam customer attraction and retention efforts?

A. There are several issues to be addressed as Con Edison moves forward with its attraction and retention program. The first involves steam cooling. Attracting and retaining steam cooling load has benefits for both the steam system (improved annual load factor) and the electric system (peak load reduction). There are currently about 565,000 tons of steam cooling equipment connected, offsetting approximately 294 MW of coincident peak electric load. Because of cost differentials in capital and operating costs that favor electric air conditioning equipment, major steam customers have been converting from steam to electric cooling when their steam cooling equipment reaches end of life. There has been a net reduction of approximately 140,000 tons of steam cooling over the past ten years. We foresee an acceleration in the loss of steam air conditioning load due to the age of the customer equipment currently in service. This loss of steam air conditioning load is also addressed in the sales forecast testimony of the Steam Forecasting Panel.
Q. What is the Company doing to address this challenge?
A. Steam was able to quantify the benefits of steam AC to electric load management and has embarked on a joint effort under the electric targeted demand side management program to promote the retention of steam AC and encourage conversion of electric chillers to steam AC. This program is discussed by the Electric Infrastructure and Operations Panel in the Company’s contemporaneous Electric rate filing.

Q. Are there any other challenges to the steam attraction and retention efforts?
A. Yes. Another issue is an inequitable tax burden on steam customers.

Q. Please explain.
A. The cost of Con Edison steam produced by firing natural gas includes taxes that are not part of the cost structure for on-site boilers also firing natural gas. The City imposes a 2.35% Gross Receipts Tax (“GRT”) and a 4.5% sales and use tax on fuel used in electric and steam generators, which is applicable to both the Company’s generation as well as on-site generators. However, when the steam is sold, it is further subject to the 2.35% NYC GRT, and sales tax at
either 4.5% (residential customers) or 8.8755% (commercial customers). The result is that steam customers are taxed on the tax; they are taxed when the fuel is purchased and again when the energy is sold. An on-site boiler owner only pays the sales and use tax on the fuel when it is purchased. Reduction and/or elimination of these taxes would eliminate the tax inequity relative to on-site generation and help reduce steam costs to customers.

Q. What is the Company doing to address this challenge?

A. The Company has met with NYC officials over the past several years in an attempt to repeal the sales and use tax on boiler fuel. The Company has drafted proposed legislation to repeal the sales and use tax on boiler fuel and is working with the other NYC generator owners in an attempt to get the legislation passed. We have stressed that the sales and use tax on boiler fuel is particularly unfair since the higher the fuel costs, the more tax is paid, which is compounded for utilities when GRT and sales taxes are added. In effect, the tax revenues are compounded on top of inflation.
Q. Are there other taxes that contribute to this tax burden on steam customers?
A. Yes. Another aspect of the tax burden is the property tax burden. The Company’s Steam Property Tax and Depreciation Panel explains how the very structure of NYC’s property tax classification system places an inordinate burden on utility corporations and the Company in particular because of the magnitude of its property investments in comparison to other utilities. The Steam Property Tax and Depreciation Panel also explains the Company’s efforts to address that issue without reducing the overall amount of property taxes collected by the City.

Q. Does the Company face any additional challenges?
A. Yes. A third challenge is the availability of City and State financial incentives to customers that install on-site generation and leave the steam system. For example, a major residential customer left the steam system using New York State Energy Research and Development Authority (“NYSERDA”) funding for an engineering study and a NYSERDA low interest loan to fund the installation of boilers.

Q. What is the Company doing to address this challenge?
A. The Company has been working with Department of Public Service Staff and NYSERDA to establish criteria for CHP projects, within the footprint of the steam system, to avoid reducing the Company’s minimum steam system load below the level necessary to operate its most efficient, cleanest units (East River Units 1 and 2) without cycling them on and off. As part of this effort, the Company addressed these issues in comments filed on July 13, 2012 as part of the Joint Utilities comments responding to the Commission’s Notice Inviting Comments for Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard (Case 07-M-0548) and In the Matter of Systems Benefit Charge IV (Case 10-M-0457).

Q. Has the Commission made a decision in this matter?

A. Yes. The Commission’s Order Modifying Budgets and Targets for Energy Efficiency Portfolio Standard Programs and Providing Funding for Combined Heat and Power and Workforce Development Initiatives, issued December 17, 2012, recognized the need to balance the needs of existing steam customers with the goal of encouraging development of CHP, agreed with Con Edison “that the most important component in such a balance
is a metric to minimize erosion of the minimum steam load, in particular to avoid the uneconomic curtailment of the East River Units,” and found that “Con Edison’s proposal to perform an annual review of the impact of approved CHP projects is a workable solution that will not interfere with NYSERDA’s application process.” (Order at p. 47.) The Commission established a process designed to balance the needs of existing steam customers and the goal of encouraging CHP, which Con Edison anticipates utilizing in cooperation with the Commission and NYSERDA.

**PROPOSED TARIFF CHANGES**

Q. Is the Company proposing any modifications to its Steam Tariff?

A. Yes. The Company is proposing to extend the period for accepting applications from SC-2 and SC-3 customers installing a new or replacement steam air-conditioning system under the current air-conditioning incentive program described in Special Provisions D and E. This program provides a $2.00 per Mlb discount off base rates for steam used in excess of the first 250 Mlb for SC-2 and in excess of the first 50 Mlb for
SC-3 in each monthly billing period during the summer months of May to October. The proposed extension is through December 31, 2014. This extension is important because the incentive enhances the Company’s ability to promote steam air conditioning.

Q. Is the Company proposing any other modifications to its Steam Tariff?

A. Yes. The Company is proposing to update the charges in the steam rate tariff Section 4 "Special Services Performed by the Company for Customers for a Charge" (Leafs 39, 40 and 41).

Q. I show you a four-page exhibit entitled “STEAM DISTRIBUTION SPECIAL SERVICES UPDATE” and ask whether it was prepared under your supervision and direction?

A. Yes.

MARK FOR IDENTIFICATION AS EXHIBIT ___(CV-1)

Q. Why are you updating these charges at this time?

A. The Company has updated the cost of labor, materials and other costs associated with these charges, so these updates now reflect the current costs to the Company. EXHIBIT ___(CV-1) shows the detailed breakdown of how these charges were determined.

Q. Are there any additional tariff changes at this time?
A. Yes, the Company is proposing to clearly delineate the boundaries of responsibility with respect to the Customer’s Piping and Equipment to be consistent with Con Edison procedures and external regulations. Under the Company’s proposal, the Company will only be responsible for maintaining its mains, service lines and service equipment (“Company Facilities”) in compliance with NYC Department of Environmental Protection and Department of Buildings codes and regulations (“NYC Codes and Regulations”). Steam rate tariff Section 3.3 “General Rules, Regulations, Terms and Conditions under Which Steam Service Will Be Supplied, Applicable to and Made a Part of All Agreements for Steam Service, Customer’s Piping and Equipment” (leaf 20) is proposed to be modified to clearly identify the customer’s obligation to document that its own piping and equipment are compliant with the NYC Codes and Regulations. The modification adds clarity to what the Company will review, limiting the Company’s responsibility to Company Facilities.

Q. Does this conclude your initial testimony?

A. Yes, it does.