Q. Would the members of the Steam Rate Panel please state their names and business address?

A. Donald F. Love and Louis La Pietra. Our business address is 4 Irving Place, New York, New York 10003.

Q. By whom are you employed, in what capacity, and what are your professional backgrounds and qualifications?

A. We are employed by Consolidated Edison Company of New York, Inc. (“Con Edison” or the “Company”).

(Love) I will act as chairman of the Panel. I am the Department Manager of Rate Adjustments in the Rate Engineering Department. My background is as follows: I received a Bachelor of Civil Engineering Degree from Manhattan College in 1975, a Master of Environmental Engineering Degree from Manhattan College in 1977, and a Master of Business Administration Degree in Accounting from Manhattan College in 1987. In 1982, I began my employment with Con Edison in the Environmental Affairs Department. Between 1987 and 2003, I worked in the Energy Management Department and transferred in 2003 to the Rate Engineering Department. I am a licensed Professional Engineer in New York State. I have previously testified before this Commission.
La Pietra) I am a Senior Rate Analyst in the Rate Engineering Department. My background is as follows: I received a Bachelor of Science Degree in Accounting from Manhattan College in 1988. In 1990, I began my employment with Con Edison in the Tax Department. In 1999, I accepted the position of Senior Analyst and transferred to Rate Engineering. I worked in positions of increasing responsibility in the cost analysis area, mainly involved in the development of the costing methodologies related to unbundling. I was promoted to Senior Rate Analyst in 2005, responsible for developing the Company’s cost-of-service models. I have previously testified before this Commission.

PURPOSE AND SUMMARY OF TESTIMONY

Q. What is the purpose of the Panel’s testimony?
A. Our testimony:

(1) presents the Company’s Steam Embedded Cost-of-Service (“ECOS”) study; and

(2) describes the proposed revenue allocation, rate design, billing analysis - including the impact of the proposed rate changes on customers’ bills, examination of the Company’s base fuel cost and tariff changes.
Q. Please summarize your testimony.

A. The Steam Rate Panel testimony encompasses six areas:

First, the ECOS Study Section of the testimony presents the Company’s ECOS study for the calendar year 2011, which:

- functionalizes and classifies various costs for the steam system to their operating functions;
- allocates these functionalized costs to the customer service classes;
- demonstrates each ECOS study class’s surplus or deficiency based on the application of a ± 10% tolerance band around the calculated total system rate of return of 9.71%; and
- shows that the steam service classifications (“SCs”) had the following rates of return for the calendar year 2011: SC 1 - General Service - 8.86%, SC 2 Rate I - Annual Power Service - Non-Demand - 10.26%, SC 2 Rate II - Annual Power Service - Demand - 9.55%, SC 3 Rate I - Apartment House Service - Non-Demand - 9.23%, and SC 3 Rate II - Apartment House Service - Demand - 8.80%. The SC 2 Rate II - Annual Power Service - Demand and the SC 3 Rate II - Apartment House Service - Demand classes reflect the
consumption threshold of 14,000 Mlbs annually to be eligible for service under these classes.

Second, the Revenue Allocation section of the testimony proposes that:

- the total base rate decrease, excluding gross receipts tax, be allocated to each service class based on applying an overall pure base rate percentage decrease to each service class’s pure base revenues for the twelve-month period commencing January 1, 2014 ("Rate Year");

- the Rate Year decrease for each class be restated to an historical period base rate decrease for the calendar year 2011, i.e., the period for which detailed billing data is available, for the purpose of designing the proposed base rates.

Third, the Rate Design section of the testimony describes the methodology for designing the base rates applicable to each class to collect each class’s respective historical period decreased revenue requirement.

In this testimony, we use “Present Rates” and “Present Rate Level” to describe rates and revenue levels associated with the rates that will become effective
October 1, 2013 as directed by the Commission in its September 22, 2010 Order in Case 09-S-0794.

Fourth, the Bill Analysis section of the testimony sponsors various exhibits that:

- show the steam sales and revenues for the historical period, i.e., the calendar year 2011 reflecting the Present Rate Level;

- compare the Present Rates and charges and the proposed rates and charges;

- present monthly bill comparisons at Present Rates and proposed rates;

- demonstrate the estimated annual impact on customers’ bills under the proposed rates;

- show the estimated effect on customers’ bills and Company revenues resulting from the proposed steam rates based on sales and revenues for the calendar year 2011; and

- present bill comparisons for the three years commencing January 1, 2014 at rates based on forecasted revenue levels for selected customer usage levels. This was done to show the effects of changes in delivery and supply charges on a customer’s total bill.
Fifth, the Base Cost of Fuel section of the testimony discusses a potential change to the Company’s current base fuel cost based on the estimates of the average fuel cost for the Rate Year.

Sixth, the Tariff Changes section of the testimony presents the proposed additional revisions to the steam tariff, including:

- extending the application period for SC 2 and SC 3 Special Provisions D and E through the last day of the Rate Year and providing two years of rate reductions;
- updating the charges in Special Services at Stipulated Rates, and amending General Information Section 3.3.1, as described in the testimony of Company witness Viemeister (Steam Business Development);
- establishing a weather normalization adjustment, as described in the testimony of the Steam Forecasting Panel;
- updating the annual charge percentage in the Interconnection Charge sections of SCs 4 and 6;
- clarifying that the average cost of fuel will include costs, as incurred, related to the purchase
of emission allowances or credits, and revenues, as
received, from the sale of emission allowances or
credits in the circumstances addressed in the
testimony of Company witness Price (Steam EH&S)
regarding emissions costs and credits;
• clarifying how rates and charges are prorated on
monthly bills and how rate adjustments are applied
to bills; and
• proposing other minor changes to the tariff.

Q. Is the Panel sponsoring any exhibits?
A. Yes, we are presenting six exhibits. They are:

• Exhibit __ (SRP-1), Embedded Cost-of-Service Study –
Steam Department.
• Exhibit __ (SRP-2), Steam – Sales and Revenues for
the Twelve Months Ended December 31, 2011 Reflecting
the Present Rates to be Effective October 1, 2013.
• Exhibit __ (SRP-3), Steam – Comparison of the
Present Rates and Charges Effective October 1, 2013
with the Proposed Rates and Charges.
• Exhibit __ (SRP-4), Steam – Typical Monthly Bill
Comparisons at the Present Rates to be Effective
October 1, 2013, and at the Proposed Rates to be
Effective January 1, 2014.
• Exhibit __ (SRP-5), Steam - Summary of the Estimated Annual Impacts on Customers’ Bills Under the Proposed Rates Based on Billing Data for the 12 Months Ended December 31, 2011.

• Exhibit __ (SRP-6), Steam - Estimated Effect on Customers’ Bills and Company Revenues Resulting from Proposed Steam Rates - Based on Sales and Revenues for the Twelve Months Ended December 31, 2011.

• Exhibit __ (SRP-7), Steam - Projected Commercial Customers’ Bills.

We will describe these exhibits during the course of our testimony.

Q. How is the Panel’s testimony organized?
A. The testimony is divided into six sections: (1) ECOS Study, (2) Revenue Allocation, (3) Rate Design, (4) Billing Analysis, (5) Base Cost of Fuel and (6) Tariff Changes.

(1) EMBEDDED COST-OF-SERVICE STUDY

Q. Did the Panel prepare an ECOS study for Con Edison’s Steam system?
A. Yes. The ECOS study for the Steam Department was prepared under our direction and supervision.
Q. Is the study to which you refer a document entitled “EMBEDDED COST-OF-SERVICE STUDY - STEAM DEPARTMENT YEAR 2011 - RATES IN EFFECT OCTOBER 1, 2012?”
A. Yes.

MARK FOR IDENTIFICATION AS EXHIBIT __ (SRP-1)

Q. What time period does the ECOS study include?
A. It covers steam operations for the calendar year 2011.

Q. What steam revenues are reflected in the ECOS study?
A. The steam revenues reflected in the study are the total revenues that would have been realized for the calendar year 2011 if they had been derived at the current rates, which became effective on October 1, 2012. Revenues and corresponding expenses associated with the Regulatory 18-a Assessment have been excluded.

Q. What customer classes are analyzed in the ECOS study?
A. Starting in column (2) on each table, the ECOS study analyzes the following customer classes: SC 1 - General Service, SC 2 Rate II - Annual Power Service - Demand, SC 2 Rate I - Annual Power Service - Non-Demand, SC 3 Rate II - Apartment House Service - Demand and SC 3 Rate I - Apartment House Service - Non-Demand. The revenues and costs from SC 4 Back-Up/Supplementary Service (“Standby”) customers have
been included in the corresponding SC 2 and SC 3 classes in which the customers would otherwise take service. A description of the type of customers served under each classification is provided on page 9 of the ECOS study explanatory notes.

Q. How are the results of the ECOS study expressed?
A. The results of the ECOS study are expressed in rates of return levels for both the total steam system and on a class by class basis.

Q. What is the total system rate of return shown in the ECOS study?
A. The total system rate of return shown on Table 1, Page 1, Column (1), Line 17 of the ECOS study is 9.71%.

Q. What are the class rates of return shown in the ECOS study, Exhibit ___ (SRP-1)?
A. The following class rates of return are shown on Table 1, Page 1, Line 17 of the ECOS study

<table>
<thead>
<tr>
<th>Class</th>
<th>Rate I - Non-Demand</th>
<th>Rate II - Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>SC 1</td>
<td>8.86%</td>
<td></td>
</tr>
<tr>
<td>SC 2 Rate I</td>
<td>9.23%</td>
<td>8.80%</td>
</tr>
<tr>
<td>SC 2 Rate II</td>
<td>10.26%</td>
<td>9.55%</td>
</tr>
<tr>
<td>SC 3 Rate I</td>
<td>9.23%</td>
<td>8.80%</td>
</tr>
<tr>
<td>SC 3 Rate II</td>
<td>8.80%</td>
<td></td>
</tr>
</tbody>
</table>
Q. Has the Commission historically employed a “tolerance band” around the system rate of return in developing class revenue responsibilities?

A. Yes. Based on past practice, class revenue responsibility has been measured with respect to a \( \pm 10\% \) tolerance band around the total system average rate of return. Classes would not be considered “surplus” or “deficient” if the class ECOS study rate of return falls within this range. Classes that fall outside this range would be either surplus or deficient by the amount necessary to bring the realized return to the upper or lower band based on the system rate of return.

Q. Based on the application of the \( \pm 10\% \) tolerance band around the calculated total system rate of return of 9.71\%, what are the ECOS study class results?

A. The results of the study show that SC 1, SC 2 Rate II – Demand, SC 2 Rate I – Non-Demand, SC 3 Rate II – Demand and SC 3 Rate I – Non-Demand are all within the \( \pm 10\% \) tolerance band.

Q. Does the ECOS study contain an analysis of customer costs by class of service?
A. Yes. Please refer to Table 6, Page 1, Line 14 of the ECOS study, which shows that the monthly customer costs per customer by class are as follows:

SC 1: $1,951.49
SC 2 Rate II - Demand: $5,692.15
SC 2 Rate I - Non-Demand: $3,468.65
SC 3 Rate II - Demand: $4,822.37
SC 3 Rate I - Non-Demand: $2,913.79

Q. What do customer costs include?

A. Customer costs include a distribution customer component (including the component relating to the fuel costs associated with steam fixed line losses), services, meters and installations, services on customer premises, customer accounting, uncollectibles and customer service.

Q. Let us now turn to the methodology used in developing the ECOS study. Please describe the procedures followed in the preparation of this study.

A. There are two main steps in the preparation of the ECOS study: (1) functionalization and classification of costs to operating functions, such as production, distribution, customer accounting and customer service (with further division into sub-functions such as production demand, production energy-fuel,
distribution demand, distribution customer and services); and (2) allocation of these functionalized costs to customer classes.

Q. Please describe the functionalization and classification step.

A. The functionalization and classification step assigns the broad accounting-based cost categories to the more detailed categories employed in the ECOS study. For example, this level of detail is required to differentiate production demand-related costs from production energy-fuel and production energy-other.

Q. Why is this necessary?

A. These data allow the proper allocation to the classes of fixed and variable costs, based on cost causation.

Q. Please continue.

A. During the process of functionalization, all costs are classified as being demand-related, energy-related or customer-related. Demand-related costs are fixed costs created by the hourly loads placed on the various components of the steam system. Energy-related costs are variable costs resulting from the total quantities of steam delivered during the year. Customer-related costs are fixed costs caused by the presence of customers connected to the system,
regardless of the amounts of their demand or energy usage.

Q. Please describe the allocation step.

A. The allocation step allocates the functionalized costs to the customer classes based on the appropriate demand, energy or customer allocation factors, which are shown on Table 7 of the ECOS study.

(2) REVENUE ALLOCATION

Q. Are you proposing any rate changes to the current October 1, 2012 revenue level before the Company implements any base rate change?

A. Yes. In accordance with the September 22, 2010 Order in Case 09-S-0794, the Company lowered the base revenue priced out at the current rate level by excluding the portion of the Rate Year 3 rate increase that is temporary due to the levelization of the rate increase under the current rate plan (“Levelizing Adjustment”). As noted above, we employ the terms “Present Rates” and “Present Revenue Level” to describe the rates and revenue levels associated with the rates that will become effective October 1, 2013.

Q. Did the Company’s Steam Accounting Panel calculate the base rate decrease for the Rate Year?
A. Yes. The decrease in base rates for the Rate Year is $5,431,000, including gross receipts tax of $149,000, and $5,282,000, excluding gross receipts tax.

Q. Please describe how you allocated the decrease in base rates for the Rate Year among Con Edison’s steam customers.

A. First, for consistency with the ECOS study, which included SC 4 revenues in the applicable non-standby class, the SC 4 Rate I class was combined with the SC 2 Rate I (Non-Demand) class, the SC 4 Rate II class was combined with the SC 3 Rate I (Non-Demand) class, the SC 4 Rate III class was combined with the SC 2 Rate II (Demand) class and the SC 4 Rate IV class was combined with the SC 3 Rate II (Demand) class for revenue allocation purposes.

Second, the base rate decrease of $5,282,000 for the Rate Year was allocated to customers in: (1) SC 1, (2) SC 2 Rate I (Non-Demand) and corresponding SC 4, (3) SC 2 Rate II (Demand) and corresponding SC 4, (4) SC 3 Rate I (Non-Demand) and corresponding SC 4, and (5) SC 3 Rate II (Demand) and corresponding SC 4 by applying an overall pure base rate percentage decrease to the Rate Year pure base revenues corresponding to each of these five class groups. The overall pure
base rate percentage decrease was developed by dividing the base rate decrease of $5,282,000, by the total system Rate Year pure base revenues.

Q. Please explain how the Rate Year decreases by class were developed.

A. First, revenue ratios were developed for each class by dividing the Rate Year pure base revenues at the Present Rate Level, which excludes the Levelizing Adjustment, by the corresponding pure base revenues for the historic period, i.e., the twelve months ended December 31, 2011, the period for which detailed billing data was available. The Rate Year pure base revenue decrease assigned to each class was then divided by the class’s respective revenue ratio to determine each class’s pure base revenue decrease as compared to its pure base revenues for the historical period.

Q. Why didn’t you allocate any of the decrease in the revenue requirement to SC 5 and SC 6?

A. SC 5 is the Negotiated Rate Agreement Service. This service is offered by the Company to retain and attract customers that have a competitive alternative to the Company’s steam service. The negotiated rate under an SC 5 agreement may be a specific tariff rate.
Except where the terms of the contracts specifically reference tariff rates, no decrease is allocated to SC 5. SC 6 is for Transportation Service. The Company offers this service for customers with steam supply alternatives to the Company’s steam service. Presently, it is expected that there will be no customers that have contracts for SC 5 service at a fixed rate or SC 6 service during the Rate Year.

(3) RATE DESIGN

Q. After determining the historic period base revenue decrease for each class, how did you design the proposed rates?

A. The first step in the rate design process was to determine if a change to the customer charge was warranted. Next, the usage and demand charges in each class, as applicable, were decreased to account for the balance of the decrease in the revenue requirement for each class.

Q. Please explain the factors you considered in the determination of any change to the customer charge for each class.

A. In determining the proposed customer charge for each class, we considered the goal of moving toward the customer costs shown in the ECOS study as well as
minimization of bill impacts to small usage steam

customers associated with a change to the customer
charge.

Q. Please explain how you developed the proposed change
in the customer charge in each class.

A. The SC 1 Customer Charge, excluding the fixed
component relating to the fuel costs associated with
steam line losses, will remain at the current rate
level and not move further below the ECOS Study
customer costs. The SC 2 Rate I (Non-Demand) and SC 2
Rate II (Demand) Customer Charges at the Present Rate
Level will be lowered by the class’s overall
percentage decrease. This change makes progress
towards the ECOS Study customer cost without resulting
in any offsetting increase to the class’s usage/demand
rates. The SC 3 Rate I (Non-Demand) Customer Charge,
excluding the fixed component relating to the fuel
costs, will be set at the level of the ECOS study
customer costs, excluding the fixed component relating
to the fuel costs, and then lowered by the class’s
overall percentage decrease. The SC 3 Rate II
(Demand) current Customer Charge, excluding the fixed
costs, is 87.621% of the
customer cost that would result if the ECOS Study’s
customer cost were lowered by the class’s overall percentage decrease. The SC 3 Rate II (Demand) current Customer Charge, excluding the fixed component relating to fuel, was increased by 23.3371% based on a three-year phase-in, to move the charge closer to the ECOS Study’s customer costs, lowered by the Class’s overall percentage decrease, recognizing that the Customer Charge for the SC 3 Rate II (Demand) customer class does not represent a significant portion of the customer’s bill. The balance of each class’s revenue requirement at the proposed decreased rate level will be adjusted through demand and usage charges.

Q. How did you design the SC 4 Back-up/Supplementary Service Rates?

A. These rates were designed consistent with the SC 4 rate design approved by the Commission in its Opinion No. 00-15, Opinion and Order Adopting Terms of Settlement, in Case 99-S-1621, issued and effective December 1, 2000 (“December 2000 Order”). Thus, the SC 4 rates were designed to recover the same revenues that would be recovered if all eligible customers were billed at the applicable non-standby rate. Accordingly, SC 4 Rate I and Rate II Customer Charges were set equal to the proposed SC 2 and SC 3 Rate I
(Non-Demand) Customer Charges, respectively, and the SC 4 Rate III and IV Customer Charges were set equal to the proposed SC 2 and SC 3 Rate II (Demand) Customer Charges, respectively. The balance of each class’s required annual revenues will be collected through Contract Demand Charges and winter Usage Charges for each class. During the summer months, the usage charge applicable to on-peak and off-peak period customers would equal the base cost of fuel.

Q. How did you design the proposed SC 6 Transportation Service rates?

A. SC 6 provides a transportation rate for customers who would otherwise be served under either SC 2 (Annual Power Service) or SC 3 (Apartment House Service) if they purchased steam commodity from Con Edison. Consistent with the SC 6 rate design approved by the December 2000 Order, SC 6 rates were designed to recover the same revenues that would be recovered if all eligible customers were billed at the corresponding SC 2 and SC 3 rates. Accordingly, the SC 6 Rate I and Rate II Customer Charges were set equal to the proposed SC 2 and SC 3 Rate I (Non-Demand) Customer Charges, and the SC 6 Rate III and IV Customer Charges were set equal to the proposed SC 2
and SC 3 Rate II (Demand) Customer Charges, respectively. The balance of each class’s revenue requirement at the proposed rate level will be collected through contract demand and usage charges.

Q. Do the proposed rates for Con Edison steam classes produce the steam revenue decrease proposed by the Steam Accounting Panel when those rates are applied to the projected Rate Year sales?

A. Yes. We have provided the Company’s Steam Forecasting Panel with the proposed rates, and they have performed this calculation.

(4) BILLING ANALYSIS

Q. Has an exhibit been prepared by you or under your supervision showing steam sales and revenues for the historical period, i.e., the twelve months ended December 31, 2011 reflecting the Present Rate Level, entitled “STEAM - SALES AND REVENUES FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011 REFLECTING THE PRESENT RATES TO BE EFFECTIVE OCTOBER 1, 2013?”

A. Yes.

MARK FOR IDENTIFICATION AS EXHIBIT __ (SRP-2)

Q. Please describe this exhibit.

A. This exhibit sets forth, by service classification, the number of monthly bills rendered, Mlbs of steam
sold, and the total revenues for the twelve months ended December 31, 2011, that would have been derived at the Present Rates, i.e., the rates that will become effective October 1, 2013.

Q. Has an exhibit been prepared by you or under your supervision comparing the Present Revenue Level October 1, 2013 rates and charges and the proposed rates and charges, entitled “STEAM – COMPARISON OF THE PRESENT RATES AND CHARGES TO BE EFFECTIVE OCTOBER 1, 2013 WITH THE PROPOSED RATES AND CHARGES?”

A. Yes.

MARK FOR IDENTIFICATION AS EXHIBIT __ (SRP-3)

Q. Please describe this exhibit.

A. This exhibit consists of an index sheet and 9 tables, one for each service classification. Each table consists of two columns. The left-hand column shows the Present Rates and charges for the October 1, 2013 Present Revenue Level and the right-hand column shows the proposed rates and charges.

Q. Have you prepared an exhibit showing monthly bill comparisons at the Present Rates and at the proposed rates, entitled “STEAM – TYPICAL MONTHLY BILL COMPARISONS AT THE PRESENT RATES TO BE EFFECTIVE
OCTOBER 1, 2013 AND AT THE PROPOSED RATES TO BE EFFECTIVE JANUARY 1, 2014?"

A. Yes.

MARK FOR IDENTIFICATION AS EXHIBIT __ (SRP-4)

Q. Please describe this exhibit.

A. This exhibit consists of 15 tables headed by an index sheet. The tables show comparisons of bills applicable to consumers at various monthly consumption levels under the present and proposed rates for SC 1, SC 2 Rate I (Non-Demand), SC 2 Rate II (Demand), SC 3 Rate I (Non-Demand) and SC 3 Rate II (Demand) during the winter and summer billing periods. These comparisons cover the reasonable ranges of monthly use under the rates shown for SC 1, SC 2 Rate I (Non-Demand) and SC 3 Rate I (Non-Demand) steam customers and incorporate various hours use for SC 2 Rate II (Demand) and SC 3 Rate II (Demand) steam customers.

Q. Has an exhibit been prepared by you or under your supervision showing what the estimated annual impact on customers’ bills would be under the proposed rates, entitled “STEAM - SUMMARY OF THE ESTIMATED ANNUAL IMPACT ON CUSTOMERS’ BILLS UNDER THE PROPOSED RATE DESIGN BASED ON BILLING DATA FOR THE 12 MONTHS ENDED DECEMBER 31, 2011?”
A. Yes.

MARK FOR IDENTIFICATION AS EXHIBIT __ (SRP-5)

Q. Please describe this exhibit.

A. This exhibit sets forth, by class, the annual percentage increase or decrease, by the ranges shown, in Con Edison customers’ bills under the proposed rates based on the customers’ consumption for the 12-month period ended December 31, 2011. These percentage increases or decreases were derived by pricing each customer’s monthly usage during the historical period at Present Rates and at the proposed rates.

Q. Have you prepared an exhibit entitled “STEAM - ESTIMATED EFFECT ON CUSTOMERS’ BILLS AND COMPANY REVENUES RESULTING FROM PROPOSED STEAM RATES – BASED ON SALES AND REVENUES FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011?”

A. Yes.

MARK FOR IDENTIFICATION AS EXHIBIT __ (SRP-6)

Q. Please describe this exhibit.

A. This exhibit sets forth for SCs 1, 2, 3, and 4, the total revenues at Present Rates to be effective October 1, 2013, the total revenue at the proposed rates to be effective January 1, 2014, the proposed
annual revenue decrease, the percentage decreased and the number of customers’ bills increased, decreased or unchanged.

Q. Have you prepared an exhibit entitled “STEAM - PROJECTED COMMERCIAL CUSTOMER’S BILLS.” for three 12 month periods commencing with January 1, 2014 through December 31, 2016, inclusive?

A. Yes.

Q. Please describe this exhibit.

A. This exhibit provides bill comparisons for the three 12 month periods ending December 31, 2014, December 31, 2015 and December 31, 2016 at proposed rates for two customers: (1) an SC 2 customer with non-demand charges using 1,100 Mlbs per winter month and 400 Mlbs per summer month; and (2) an SC 2 customer with demand charges using 5,200 Mlbs and 20 Mlbs/hour per winter month and 4,400 Mlbs per summer month. It shows average monthly bills for these selected sized customers at proposed rates and charges for each 12 month period. In these comparisons, the supply and delivery related portions of the bills are separately shown. The supply charges reflect the effect of projected total fuel-related charges based on the
supply cost projections made by the Steam Fuel Panel. The delivery charges consist of projected delivery service charges based on three years of projected delivery revenue requirements provided by Company witness Muccilo (Steam Accounting Policy) and projected level of surcharges related to recovery of the assessment under section 18-a of the Public Service Law, which is assumed to recover $5.8 million for each of the three 12 month periods.

(5) BASE COST OF FUEL

Q. Are you proposing that the base cost of fuel be revised at the conclusion of this proceeding?

A. Yes, we are proposing that an adjustment to the base cost of fuel be considered at the conclusion of this proceeding and set at a level no higher than the current base cost of fuel - $10.049 per Mlb - and no lower than $8.049 per Mlb, which would represent a $2.00 per Mlb reduction in the base cost of fuel.

Q. What is the reason for considering such an adjustment?

A. As of this rate filing, the Company projects the monthly average cost of fuel to range from $6.33 to $10.41 per Mlb during the Rate Year. This indicates that an adjustment to the base cost of fuel may be warranted.
Q. What does the Company propose be the basis for such an adjustment?

A. The Company proposes to calculate its actual average cost of fuel for the twelve months ending September 30, 2012, and provide that information to the presiding officers, Staff and active parties on or about November 1, 2013, along with any changes to the Company’s forecasted monthly fuel costs and equivalent sales for the Rate Year that the Company believes should be considered in evaluating the appropriate base cost of fuel. The Company will also provide its recommended base cost of fuel for the Rate Year. In light of the volatility of fuel prices, the Company further proposes that any adjustment to lower the base cost of fuel be no greater than $2 per Mlb. That is, the base cost of fuel would not be less than $8.049 per Mlb during the Rate Year. A final adjustment would be made to the usage charges in each class to reflect any decrease made to the current base cost of fuel of $10.049 per Mlb prior to the close of this proceeding.

Q. Does the proposal to change the base cost of fuel require an amortization of unrecovered fuel costs?
A. Yes. Any unrecovered deferred fuel costs resulting from the change in the base cost of fuel would be amortized over a one-year period and collected from or credited to customers through the steam Fuel Adjustment Clause.

(6) **TARIFF CHANGES**

Q. Are other tariff changes being proposed?

A. Yes. Tariff revisions have been made to recognize the proposals being made in this proceeding by Company witness Viemeister (Steam Business Development) that include:

- extending the period for accepting applications for the SC 2 and SC 3 steam air conditioning incentive programs described in Special Provisions D and E through December 31, 2014, and providing the reduction in base rates (i.e., $2 per Mlb during each summer billing cycle months for steam usage in excess of 250 Mlb under SC 2 and in excess of 50 Mlb under SC 3 for two years);

- updating charges for the temporary disconnection and reconnection of service and for steam repairs and other services (Leaves 39, 40, and 41); and
• amending General Information Section 3.3.1 (Leaf 20) to specify customers’ responsibility for equipment and customers’ documentation requirements before steam service will be turned on.

Q. What other tariff changes are proposed?

A. Tariff revisions include:

• establishing a weather normalization clause, as described in the testimony of the Steam Forecasting Panel (Leaf Nos. 42.1 and 42.2);

• clarifying that the average cost of fuel will include costs, as incurred, related to the purchase of emission allowances or credits, and revenues, as received, from the sale of emission allowances or credits in the circumstances addressed in the testimony of Company witness Price (Steam EH&S) regarding emissions costs and credits;

• amending the O&M carrying charge applicable to the Interconnection Charge in SC 4 and SC 6 (Leaves 95 and 106);

• clarifying in General Information Section 3.4.5 (Leaf 24) which rates and charges are prorated on the basis of 30 days and moving text from the SCs
about proration for rate changes (Leaves 70, 80, 90, 98, and 110) to this section;

• clarifying how the Increase in Rates and Charges (Leaf 56) and fuel adjustment clause (Leaf 55) are applied to customers’ bills; and

• summarizing on the first page of General Information Section 7 (new Leaf 43.1) the Riders available under each SC and eliminating the specific references in the SCs (Leaves 70, 80, 90, 98, and 110), for easier use and improved clarity.

Q. What housekeeping changes are proposed?

A. We are making the following housekeeping changes:

  (a) correcting text about the fuel adjustment to simply refer to the applicable tariff provision (Leaves 68, 75, 85, 95, and 107); (b) changing the term “base rate” to “usage charge” in SC 1 (Leaf 68) for consistency with the term used in other SCs; (c) adding existing Riders F and G to the tariff’s Table of Contents (Leaf 3); and (d) adding the word “of” to the last paragraph on Leaf 35 following “prior to the end.”

Q. Are you proposing any changes to the Rate Adjustment Clause in the Company’s tariff?
A. Yes. As indicated in the testimony of Company witness Muccilo (Steam Accounting Policy), General Information section 5.1.a. (Leaf 42) has been revised to indicate that amounts subject to refund pending Commission determination in Case 09-M-0114 will be limited to the amounts collected through December 31, 2013, and shown on the Statements of Rate Adjustment Clause.

Q. Are you making any other change to the Rate Adjustment Clause?

A. Yes. We deleted General Information section 5.1.b. (Leaf 42), which designated a portion of the steam revenue requirement for the rate year ending September 30, 2013, to be collected as temporary surcharges stated on the Statement of Temporary Surcharges, because that provision terminates by its terms at the end of that rate year.

Q. Does this conclude the Panel’s testimony?

A. Yes, it does.