

Con Edison Electric & Gas Rate Cases: Joint Proposal

February 2023



Joint Proposal – Signatory Parties

- Consolidated Edison Company of New York, Inc.
- New York State Department of Public Service
- City of New York
- Consumer Power Advocates
- Metropolitan Transportation Authority
- Natural Resources Defense Council*
- New York Energy Consumers Council, Inc.
- New York Geothermal Energy Organization*
- New York Power Authority*
- Walmart, Inc.
- Advanced Energy United**

*Signing in support of the electric provisions only.

**Signing in support of the Earnings Adjustment Mechanisms only.

Joint Proposal – Overview

- Three-year rate plan for Con Edison’s electric and gas businesses for a term beginning January 1, 2023 and ending December 31, 2025.
 - Rate Year (“RY”) One is January 1, 2023 through December 31, 2023;
 - RY Two is January 1, 2024 through December 31, 2024; and
 - RY Three is January 1, 2025 through December 31, 2025.

Joint Proposal – Revenue Requirements/Bill Impacts

- Recommended annual revenue requirement increases are as follows:

	RY1			RY2			RY3		
	(Millions \$)	% Bill Impact - Total	% Bill Impact - Delivery	(Millions \$)	% Bill Impact - Total	% Bill Impact - Delivery	(Millions \$)	% Bill Impact - Total	% Bill Impact - Delivery
Electric	\$457.50	4.2%	6.6%	\$457.50	4.0%	6.2%	\$457.50	3.8%	5.8%
Gas	\$187.20	6.7%	10.4%	\$187.20	6.3%	9.4%	\$187.20	5.9%	8.6%

Joint Proposal – Electric Rate Drivers

Electric case number 22-E-0064	CECONY	Joint Proposal
Rate Year 1: (Jan 2023 – Dec 2023)	Jan 2022 Filing	Feb 2023 JP
New infrastructure investment	\$250	\$212
Financing costs	201	56
Property and other taxes	180	77
Sales revenue change	259	120
Amortization of deferred credits and costs	191	56
Operating expenses	79	(91)
Depreciation changes	15	9
Income taxes and other	24	3
Total Rate Increase	\$1,199	\$442
Rate Base	\$26,286	\$26,095
ROE	10.00%	9.25%
Equity Ratio	50%	48%

Joint Proposal – Gas Rate Drivers

Gas case number 22-G-0065	CECONY	Joint Proposal
Rate Year 1 (Jan 2023 – Dec 2023)	Jan 2022 Filing	Feb 2023 JP
New infrastructure investment	\$161	\$126
Financing costs	77	21
Property and other taxes	74	2
Sales revenue change	77	74
Amortization of deferred credits and costs	(1)	(41)
Operating expenses	32	(3)
Depreciation changes	64	27
Income taxes and other	19	11
Total Rate Increase	\$503	\$217
Rate Base	\$10,030	\$9,647
ROE	10.00%	9.25%
Equity Ratio	50%	48%

Joint Proposal – Financial Terms

- The Joint Proposal (“JP”) proposes a 9.25% ROE and a ratemaking capital structure reflecting a common equity component of 48%.
- The JP includes earnings sharing mechanisms by which customers will share annual earnings in excess of 9.75%.
- The JP proposes various reconciliation mechanisms for specific cost elements, such as pension and other post-employment benefits expense, site investigation and remediation expenses, and other externally imposed costs.
- The JP proposes several reconciliations be paired with sur-credit/surcharge mechanisms to prevent the build-up of large deferrals, including for major storm costs, property taxes, uncollectible expense, and late payment fees.

Joint Proposal – Rate Year One Revenue Shortfall

- As Commission action regarding the JP will occur after the start of RY One, the JP proposes a “make whole” provision to permit the Company to recover the revenue shortfall resulting from the extension of the suspension period compared to if rates had gone into effect on January 1, 2023.
- The recovery period for the RY One revenue shortfall for electric will be through December 31, 2024, and the recovery period for gas will be through December 31, 2025.
- The JP does not provide “make whole” amounts because the start date for the “make whole” is not known until the Commission makes its decision.

Joint Proposal – CLCPA Goals

- The JP contains numerous provision that are intended to further New York State’s ability to meet the goals of the CLCPA, including provisions or funding that will (among other things):
 - enhance existing energy efficiency programs;
 - enhance electric system in anticipation of transport and building electrification;
 - provide funding for improved electric and gas reliability and resiliency;
 - facilitate clean energy;
 - encourage Non-Pipe Alternatives, such as to enable removing leak prone pipe;
 - require the termination of gas marketing programs and encourage the development of alternative heating options including ground- and air-sourced heat pumps; and
 - encourage the continued development of Non-Wires Alternatives.

Joint Proposal – Disadvantaged Communities

- The JP benefits disadvantaged communities by funding investments necessary to provide safe and reliable service or further the clean energy transition in disadvantaged communities, including:
 - Gateway Park Area Substation, which is needed to support reliability and electrification in disadvantaged communities
 - Primary Feeder Reliability Program, which will enhance electric reliability and resilience in disadvantaged communities
 - Selective Undergrounding Pilot, which will enhance electric resilience, including in disadvantaged communities
 - Glendale Substation Storage Project, which will support the distribution system serving a disadvantaged community
- The JP also requires reporting on Company programs and electric outage data in disadvantaged communities that goes beyond statutory requirements, giving the PSC and stakeholders valuable information as the CLCPA is implemented

Joint Proposal – Earnings Adjustment Mechanisms

- The JP proposes a number of EAMs that encourage the Company to deliver beneficial outcomes, including:
 - electrification (energy efficiency and heating) of buildings for both electric and gas;
 - increasing Megawatts of demand reduction in demand response programs;
 - accelerating light duty electric vehicle adoption;
 - reducing average Company timeline for interconnection of transportation electrification projects;
 - working with solar Distributed Energy Resources (DER) and expanding use of solar DER in service territory;
 - supporting installation of customer-sited energy storage systems of 5 MW or less; and
 - developing an EAM for managed charging over the next two-three months.

Joint Proposal – Capital Investment

- Capital investments in the JP reflect an increase over the levels in the Company’s current rate plans and will allow the Company to continue to reinforce and modernize its electric and gas energy delivery systems.
- The JP also encourages the Company to pursue Non-Wires Alternatives for its electric system and Non-Pipeline Alternatives for its gas system.
- The JP reflects the following levels of capital investment:

	RY1	RY2	RY3
	(Millions \$)	(Millions \$)	(Millions \$)
Electric	2,845	2,877	2,791
Gas	1,121	1,115	1,061

Joint Proposal – Information Technology

- The JP also proposes rates that reflect incremental IT- related capital investments for various IT projects, including a customer service system, a mapping system, technology modernization, cybersecurity, and work management and customer tools.

Joint Proposal – Service Quality/Performance Metrics

- The JP proposes to continue Con Edison’s electric reliability and gas safety performance metrics.
- The JP proposes to expand the negative revenue adjustments associated with Con Edison’s customer service performance mechanisms.
- The JP includes a new metric and negative revenue adjustment for long-term estimated and delayed customer billing.
- The JP reflects provisions to compensate customers who do not timely receive credits for participation in community solar programs.

Joint Proposal – Energy Affordability Program (“EAP”)

- The JP continues the Company’s commitment to providing rate relief to low-income customers enrolled in the EAP by targeting an electric discount program cost of \$166.3 million per year and \$35.8 million per year for the gas program.
- In accordance with EAP policy, discounts will be updated with the tariff compliance filing of a new rate plan.

Thank You

