

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

At a session of the Public Service  
Commission held in the City of  
Albany on April 16, 2003

COMMISSIONERS PRESENT:

William M. Flynn, Chairman  
Thomas J. Dunleavy  
James D. Bennett  
Leonard A. Weiss  
Neal N. Galvin

CASE 96-E-0897 - In the Matter of Consolidated Edison Company of New York, Inc.'s Plans for (1) Electric Rate/Restructuring Pursuant to Opinion No. 96-12; and (2) the Formation of a Holding Company Pursuant to PSL, Sections 70, 108 and 110, and Certain Related Transactions.

ORDER AUTHORIZING  
RECOVERY OF PHASE 4 COSTS

(Issued and Effective April 17, 2003)

BY THE COMMISSION:

INTRODUCTION

By petition dated July 2, 2002, Consolidated Edison Company of New York, Inc. (Con Edison or the company) seeks authority to recover \$14.7 million of deferred costs related to Phase 4 of its Retail Access program (Phase 4). The company proposes to use deferred credits established in its rate plan to offset Phase 4 costs. The company's rate plan<sup>1</sup> authorized a deferral of \$8.5 million in credits associated with the divestiture of fossil fuel generating plants and the use of the funds for the recovery of

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<sup>1</sup> Case 00-M-0095, et al, Joint Petition of Consolidated Edison, Inc. and Northeast Utilities, Opinion No. 00-14 (issued November 30, 2000) (rate plan).

retail access costs. The rate plan also authorized Con Edison to accrue a deferred credit balance representing electric rate reductions of \$38 million for the period October 1, 2000 to December 31, 2000.

Pursuant to the rate plan, active parties proposed incentive payments and retail access credits for Phase 4. We adopted this proposal, subject to modifications.<sup>2</sup> The proposal, effective May 1, 2001 through April 30, 2002, provided Energy Service Companies (ESCOs) with a one-time \$65 payment<sup>3</sup> for each new non-demand billed customer that remained in the retail access program for three consecutive billing cycles. Con Edison was authorized to defer up to \$5.2 million of costs associated with the incentive payment. In addition, Con Edison provided a two mill per kilowatt hour (kWh) transmission and distribution bill reduction credit to all retail access customers, reduced to one mill per kWh on September 1, 2001 for demand billed customers. One half of the retail access bill credits were assumed to be costs avoided by the company as a result of customer migration to retail access. We authorized Con Edison to recover the remaining costs of the retail access bill credits upon a demonstration that the costs were unavoidable.

#### PETITION FOR RECOVERY

Con Edison deferred the maximum \$5.2 million in costs associated with the \$65 one-time incentive payment and \$9.5 million in costs related to retail access bill credits. The company provided evidence related to meter reading, back office functions and call center activity to demonstrate that, despite the migration of customers to retail access, it could not avoid customer care costs. Specifically, Con Edison presented information that migration had no cost saving effect on meter reading activity and back

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<sup>2</sup> Case 00-M-0095, supra, Order Adopting Terms of Joint Proposal, Subject to Modifications (issued April 9, 2001).

<sup>3</sup> The ESCO was required to pass on at least \$25 of the \$65 incentive payment to its retail access customer.

office billing activities. It also submitted data documenting that customer call center activity increased after customer migration to retail access. The company maintains that these functions comprise 82% of its Customer Operations budget.

In addition, the company notes that its embedded cost study, submitted in Case 00-M-0504,<sup>4</sup> indicates that embedded costs associated with supply-related functions are 0.25 mill per kWh for non-demand billed customers and 0.18 mill per kWh for demand billed customers. Con Edison argues that the embedded cost figures presented in the unbundling case supports its position that the Phase 4 retail access bill credits overstate the costs avoided by the company when a customer migrates to retail access.

### DISCUSSION AND CONCLUSION

The Department Staff reviewed Con Edison's accounting for the \$65 one-time incentive payment and concluded that the company properly recorded the accurate amount of costs incurred by Con Edison in providing the incentive payment. The company's calculation of unavoided costs associated with the retail access bill credits in Phase 4 are accurate and comply with our required accounting methodology.

Additionally, the documentation provided by Con Edison in support of its calculation of unavoided costs associated with the retail access bill credits sufficiently demonstrates that the company could not reasonably avoid these costs. Con Edison is permitted to recover \$14.7 million of deferred costs related to Phase 4 of its retail access plan and to offset these deferred costs with the deferred credits of \$8.5 million associated with plant divestitures and \$6.2 million of the deferred credit balance.

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<sup>4</sup> Case 00-M-0504, Proceeding on Motion of the Commission Regarding Provider of Last Resort Responsibilities, Order Instituting Proceeding (March 21, 2000)(unbundling proceeding). Con Edison's arguments regarding its filing in the unbundling proceeding fall outside the scope of its Phase 4 petition.

The Commission orders:

1. Consolidated Edison Company of New York, Inc. is authorized to apply \$14.7 million of deferred credits to offset \$14.7 million of costs associated with Phase 4 of its retail access program in accordance with the body of this Order.

2. This proceeding is continued.

By the Commission,

(SIGNED)

JANET HAND DEIXLER  
Secretary