

1. Project Information

a. Background

Consolidated Edison Company of New York, Inc. (“Con Edison” or “Company”) is seeking a qualified vendor to study and prepare a written report (1) evaluating the depreciation assumptions the Company uses for its electric, gas, steam and common assets and (2) assessing potential prospective depreciation and cost recovery approaches for the Company’s gas assets.

The Company operates in the greater New York City area, as well as Westchester County. New York State and the City of New York have both recently passed climate change laws. On the State side, the [New York State Climate Leadership and Community Protection Act](#) (“CLCPA”) became effective in January 2020. CLCPA targets a 40 percent decrease in statewide greenhouse gas emissions by 2030 (relative to 1990 levels) and an 85 percent decrease in statewide greenhouse gas emissions by 2050 (relative to 1990 levels). A Climate Action Council will develop and approve a scoping plan with draft recommendations to achieve these statewide greenhouse gas emissions reductions by January 1, 2022 and final recommendations by January 1, 2023. The New York State Department of Environmental Conservation must then adopt implementing regulations by January 1, 2024.

The CLCPA also amends the Public Service Law so that the Public Service Commission (“Commission”) will establish a program requiring that (1) a minimum of 70% of the statewide electric generation secured by public utilities to meet the electric requirements of all New York State customers in 2030 be generated by renewable energy systems, and (2) by the year 2040, the statewide electrical demand system target will be zero emissions. The Commission has the flexibility to modify the obligations of jurisdictional load serving entities (such as the Company) and/or the targets. The Commission may also temporarily suspend or modify the obligations under such program if it finds the program impedes the provision of safe and adequate electric service, is likely to impair existing obligations and agreements, and/or that there is a significant increase in arrears or service disconnections related to the program.

At the local level, the City of New York passed [Local Law 97](#) in April 2019, which requires buildings over 25,000 square feet to meet building emissions limits. Covered buildings must achieve greenhouse gas emissions levels that, at a City-wide basis, represent 40% reductions by 2030 and 80% reductions by 2050 (from 2005 levels). In addition, the Mayor issued [Executive Order No. 52](#) on February 6, 2020 directing a comprehensive review of the City agencies’ process for approving or allowing additional infrastructure that expands the supply of fossil fuels or contributes to extending the period of time during which there is reliance on the use of fossil fuels. The review is to be completed by December 31, 2020. The City is also considering potential bans on connecting new natural gas customers.

b. Objective

This study requires the selected vendor to accomplish two separate but related objectives. First, the vendor is to review the Company’s process for selecting the appropriate assumptions, including survivor curves, for its electric, gas, steam and common assets in base rate case depreciation studies. Second, in light of climate change laws and policies (*e.g.*, CLCPA and

Local Law 97), assess potential prospective depreciation and cost recovery approaches for the Company's gas business.

c. Scope of Work

Written Report(s):

- Review the Company's current process to select the appropriate survivor curves in base rate case depreciation studies.
 - Evaluate and benchmark the process used by the Company to select the appropriate assumptions, including survivor curves, in depreciation studies against industry standards, similar utilities, and Commission guidance.
 - Based on such benchmarking, consider the appropriate survivor curves, at a Commission account level, that the Company should use in its next base rate filing (the Company expects to perform the depreciation study for its next base rate filing in the second half of 2021).
 - Provide visual and statistical analyses of both Iowa-curves and H-curves for the five highest-valued plant accounts for electric, gas, steam and common assets as a separate appendix to the report.
 - Provide methods and procedures used to develop all analyses.
- Assess potential prospective depreciation and cost recovery approaches for the Company's gas business.
 - Review cost recovery approaches used within the energy industry, in other industries (*e.g.*, telecommunications), and in other countries when substantial, transformative change in an industry has raised significant cost recovery concerns.
 - This review will include an analysis of whether depreciation approaches have changed average service lives, reserve deficiency/surplus, cost of removal, salvage value, net salvage rates and/or survival curves.
 - Assess the potential revenue requirement impacts and general impacts on customer bills associated with the Company's application of different depreciation/cost recovery approaches.
 - Provide methods and procedures used to develop all analyses.