



Timothy P. Cawley
Chairman & Chief Executive Officer

February 24, 2022

Rory M. Christian
Chair and Chief Executive Officer
New York State Department of Public Service
Three Empire State Plaza
Albany, NY 12223-1350

Dear Chair Christian:

Thank you for your letter of February 11, 2022, regarding higher electricity bills experienced by many of Con Edison's customers, and other utility customers throughout New York State and elsewhere. As a preliminary matter, we agree with the Department's findings in your letter, including that the higher bills were the result of higher supply costs, higher energy consumption resulting from cold weather, and a timing difference in our billing process (i.e., the difference between when actual market supply costs are applied to customer bills and when the full value of the Company's hedging programs are applied to those bills).

While your letter acknowledges that supply costs and weather-related increases in energy use are outside of our control, we do control our billing process and are adjusting it. This adjustment will more closely align the impacts of supply price volatility with our hedging position results, reducing the likelihood of significant customer bill volatility. In addition, consistent with our normal process, we are incorporating the full value of our hedging positions into customers' bills now and customers are already seeing significant cost relief in the current billing cycle. We are also focused on providing notice to customers in cases where supply price increases could result in significantly higher bills.

Immediate Customer Relief by Providing Full Hedge Value

We understand the hardship that higher energy bills can cause for our customers. We take seriously the need to mitigate this cost volatility and to help customers who need assistance paying their bills.

The Company hedges a portion of the supply that it procures on behalf of its customers to mitigate the impact of market price volatility on customer bills. Once each month, Con Edison forecasts the value of its hedge—whether positive or negative—and adjusts customer supply costs to account for those forecasted gains or losses. If actual prices differ from the forecast, in either direction, then Con Edison reconciles this difference by adjusting these costs in the following month.

In early January, based on available market data, Con Edison forecasted that monthly hedge value. As has been our process for many years, we applied that forecasted hedge value to bills over the next billing cycle along with the actual, market supply prices. When temperatures fell and energy use rose, those market supply prices increased significantly and that, coupled with the fixed hedge value for the month, resulted in the significantly higher costs on customer bills. As has also been our process, the full balance of that hedge value is passed back to customers during the next month, in this case, beginning on February 11, 2022.¹

While customers are now experiencing the benefits of the monthly hedge reconciliation, we recognize that many customers have struggled recently with higher-than-expected bills. For those customers, Con Edison offers a range of programs (see <https://www.coned.com/en/accounts-billing/payment-plans-assistance>) that offer meaningful discounts or more flexible payment terms, including:

- Deferred payment agreements, which more than 100,000 customers currently use to spread payments over time;
- Payment extensions, which provide additional time for customers to make payments;
- Energy Affordability Program discounts for low-income customers, for which we plan to implement a new online enrollment option next week;
- Working with customers and local and state government agencies to facilitate the receipt of public assistance by customers; and
- Level payment plans that allow customers to pay in equal monthly installments over the year even as their bills change, thereby reducing the impact of billing volatility.

Billing Process Enhancements to Reduce Likelihood of Extreme Volatility

As requested in your letter, we have completed an initial review of our supply billing processes to identify opportunities to further reduce volatility. As a result of this initial review, we are adjusting our billing process to more closely align, on monthly bills, the impacts of supply price fluctuations with the results of our hedging positions. The adjustment will serve to reduce the likelihood of supply cost volatility causing significantly higher customer bills. We have had discussions and will continue to collaborate with Staff to consider future process changes.

Improved Customer Communications Regarding Forecasted Commodity Price Changes

Con Edison is also committed to improving its communications to electric and gas customers to provide better information about potential significant increases in customer bills resulting from higher forecasted supply prices.

Before this winter, Con Edison informed its customers that it expected natural gas prices to rise. Going forward, we will specifically address both gas price volatility and its follow on impact on electric price volatility in our pre-winter communications. These communications will also continue to provide cost-saving tips and information on payment assistance programs. We will

¹ For bills issued beginning on February 11, 2022 and continuing until the next adjustments take effect in March, Con Edison has reduced the supply charge for its full-service customers (other than those on hourly pricing) by about 8.8 cents per kilowatt-hour in part to account for the additional value of its January hedges that was not reflected in supply prices in the previous billing cycle. This adjustment will provide full-service customers with significant price reductions that they did not realize in their earlier bills.

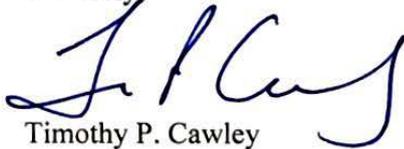
also provide notice to customers in cases where supply price increases could result in significantly higher bills.

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As you state in your letter, we must continue to work together to advance the State's ambitious clean energy goals. Con Edison supports those goals and is implementing its own Clean Energy Commitment to play a leadership role in achieving them.

Please do not hesitate to contact me if you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "T. P. Cawley". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

Timothy P. Cawley
Chairman and Chief Executive Officer
Consolidated Edison, Inc.