

Oil to Gas Conversions

RSA Seminar

September 12, 2012

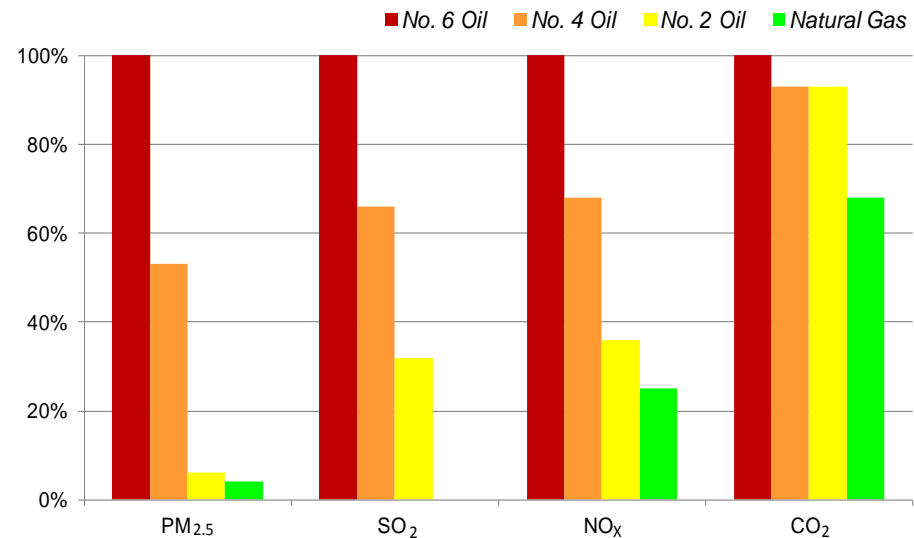
Agenda

- Key Growth Drivers
- Asset Optimization
- Working with Stakeholders
- Next Steps

Benefits of Converting to Natural Gas

- Environmental
 - Natural gas is a much cleaner fuel than oil
 - Reduces emissions, smog, acid rain, and greenhouse gases
- Save Energy and Money
 - Lower supply costs - Natural gas is currently cheaper than oil
 - Reduced maintenance costs - Hidden costs associated with oil (e.g. pumps, motors, filters, permits)
 - Cash flow benefits - “Pay as you go”, billed after gas consumption

Emissions Profile of Natural Gas Compared to Heating Oil



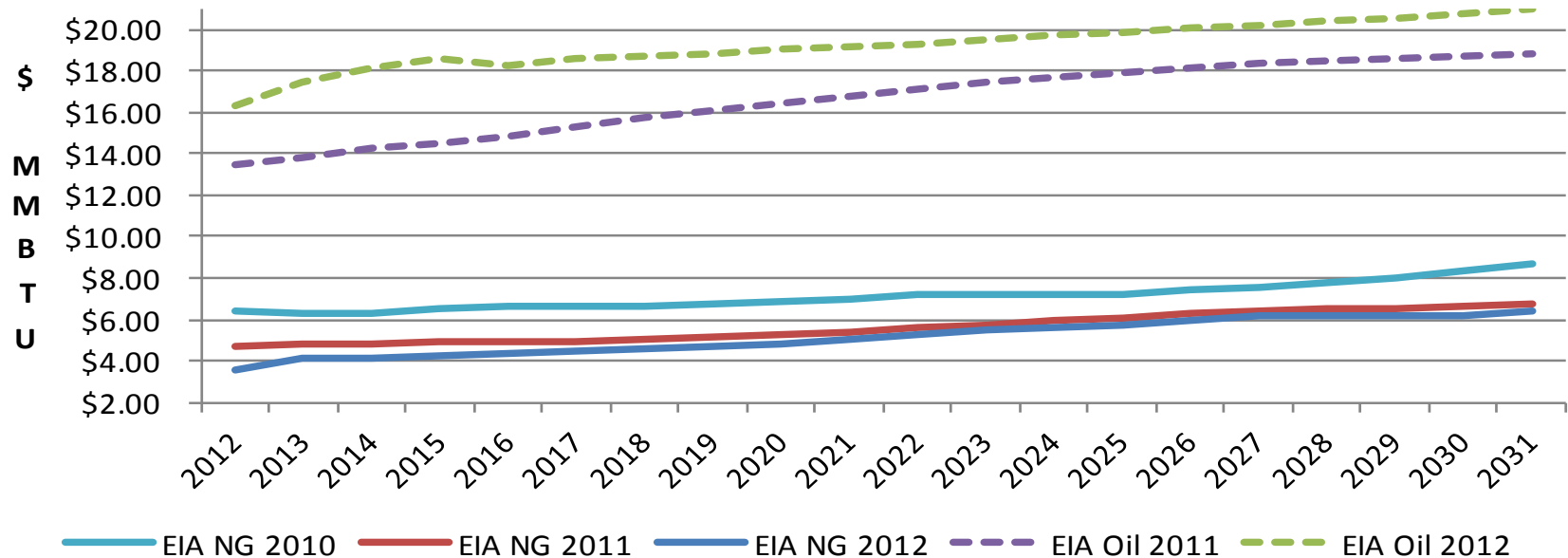
Source: Environmental Defense Fund

Key Driver for Gas Growth

Commodity Prices

□

**Change in Long Term Fuel Commodity Price Forecasts,
Crude Oil vs. Henry Hub Natural Gas
(\$ 2010)**



Background

Oil to Gas Conversions

- About 7,000 potential #4/#6 oil to gas conversions in Con Edison's service area

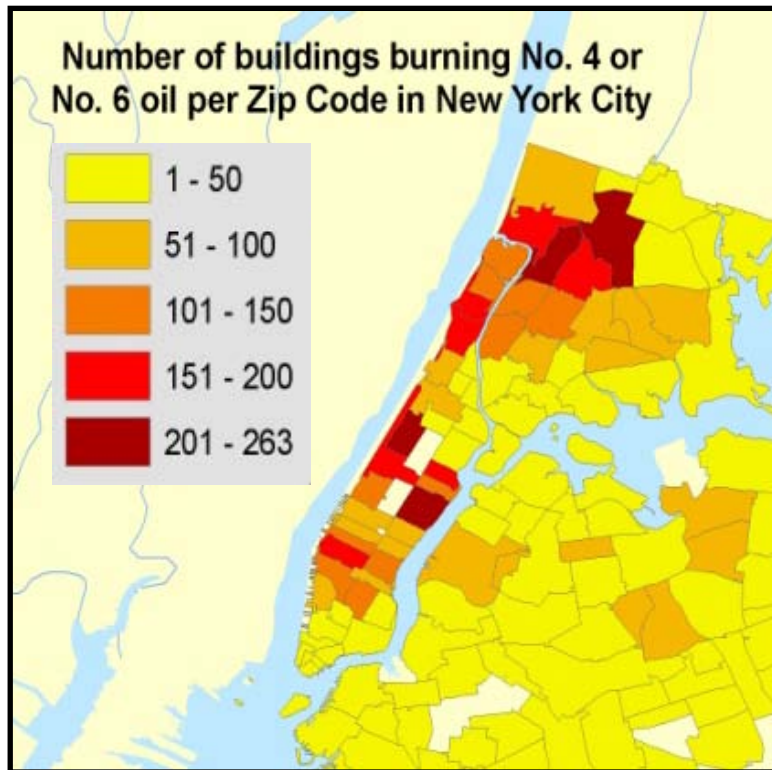
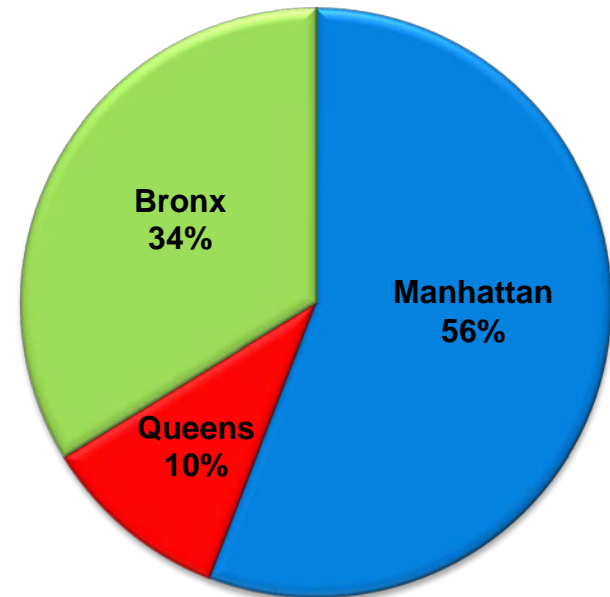


Image from Environmental Defense Fund Report

Breakdown of #4 and #6 Oil Users

Within Con Edison's Service Area



Key Objectives

- Align a flexible and scalable growth strategy with corporate objectives to minimize impact on current firm customers.
- Be seen as easy to do business with by providing clear and consistent information, and efficient customer-focused processes.
- Maintain a safe and reliable system.
- Build efficiently and optimize existing gas infrastructure assets, while minimizing cost of construction.
- Engage and coordinate with key stakeholders by addressing and responding appropriately to their needs.

Gas Conversions Website

convert to natural gas
natural gas home

Convert to Natural Gas

Natural Gas is Better for the Environment and Your Budget.

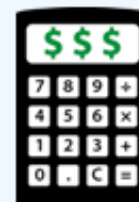
Natural gas is an efficient, safe, and reliable fuel source. It costs less than heating oil, and is one of the [cleanest-burning](#) fuels available. Converting to natural gas will reduce greenhouse gas emissions and improve the air quality in your community. Help make a cleaner, greener New York. Choose natural gas today.

We're Doing Business in a New Way	Frequently Asked Questions
Get Started Today	Incentives
Benefits of Natural Gas	Is My Building Ready?
Contact Us	Resources

Con Edison provides gas to customers in Manhattan, the Bronx, and parts of Queens and Westchester County ([view map](#)).

Call 1-800-643-1289
to learn more.

Estimate Your Savings



Linda saved more than \$9,000.



"This is a much easier way to go."

- Linda Goldberg, property owner, Manhattan

Asset Optimization Initiatives

- Utilize existing infrastructure where possible
- Insert existing mains or use trenchless technology to reduce trenching costs
- Establish an end-state design for each major area of load growth
- Review opportunities for design changes with industry experts
- Investigate demand-side solutions
- Establish design for smaller size regulator stations

Experience:

Con Edison has offered \$0 capital connection costs to about 80% of those who have requested.

Regulator Station Update

- Regulators increase capacity in a given area's distribution system
- Provides more customers an opportunity to access gas capacity at a low/no cost
- Reduces need for costly and disruptive street trenching and other work
- Accelerated construction schedule to install all nine (9) 2012 & 2013 regulators in 2012
 - Locations identified in Manhattan (6) and the Bronx (3)
 - Implement utilization of a small regulator design
- Additional regulator stations are planned for 2013 installation
- “Clustering” is another way Con Edison can help reduce, and possibly eliminate, the capital construction costs for customers converting to natural gas
 - Requirements include all customers in the cluster converting to firm gas, with each building using the one Con Edison preferred point of entry for total gas load
 - (e.g. West 79th Street, CPW and East End Avenue)

Cost Mitigation Strategy

Area Growth Approach

Our area approach overcomes significant challenges of traditional infrastructure expansion

Traditional

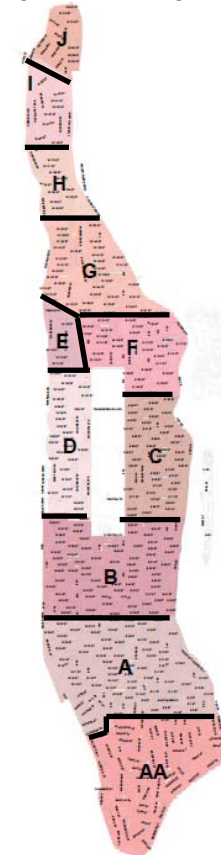
- Revenues and costs of each customer are analyzed independently
- Construction is scheduled individually
- We connect customers on an individual basis



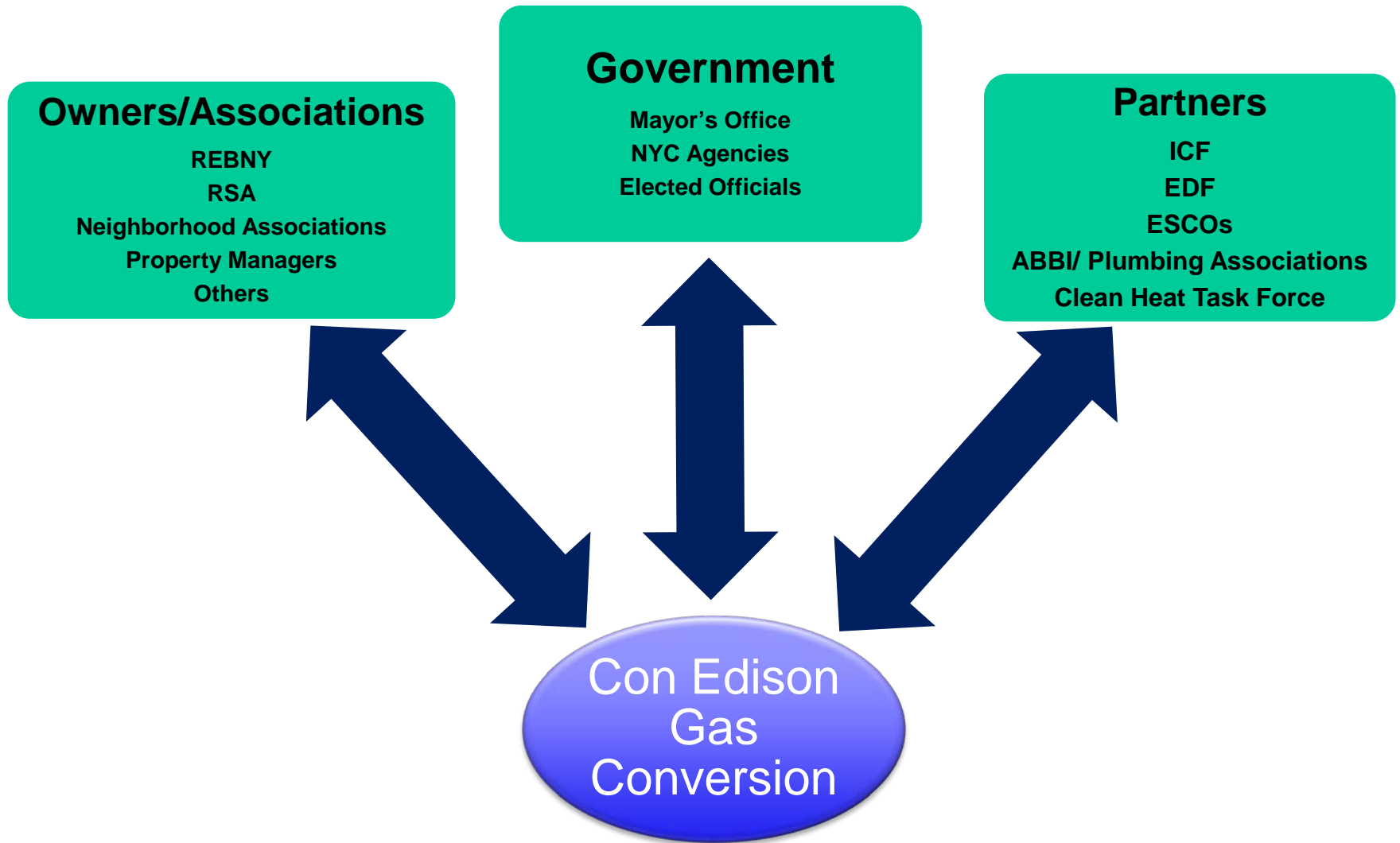
Area approach

- Revenues and costs are analyzed by area as a whole
- We connect customers work by area
- Construction is scheduled by area

Manhattan example (11 areas)



Stakeholder Involvement



Con Edison's Next Steps

- Establish Stricter Guidelines for Customer Commitments
- Continue Regulator and Asset Installation
- Explore tariff/regulator changes to support Gas Growth Strategy
- Provide updates on www.conEd.com/gasconversions
- Continue outreach with customers and other stakeholders
- Incorporate actual results/lessons learned from marketplace

Requirements for a Customer Decision

Two fundamental components:

- Capital costs up to the property line
 - Con Edison's tariff will offset 0% up to 100% of these costs
 - Depends on proximity to existing capacity, infrastructure, potential revenues
 - Firm rate or interruptible rate
- Internal Conversion Costs
 - Customer will pay for 100% of these costs
 - e.g., internal gas piping, chimney liner costs, equipment costs (boiler, booster, etc))

Customer's Next Steps

- Obtain building-specific internal conversion costs
- Understand the potential energy savings of switching to gas
- Obtain info on alternative fuel options (#2 oil, #4 oil, steam (where applicable))
- If Natural gas is most viable, cost-effective option:
 - Submit gas service request electronically to Con Edison via Project Center (www.coned.com/es)

Visit Us!

