

Consolidated Edison: What should CECONY put on the table?

Internal ID: S&F-STR-164

Topic: Capital Allocation, Customer Strategy, Growth Strategy

Industry: Multi-Utilities

Source: Strategy & Finance

Publication date: 5 October 2026

License: Not specified

Information cutoff: August 27, 2026, 11:59 p.m. U.S. Eastern Time.

Teaching case: The public record does not disclose the parties' confidential settlement positions. The decision below is a hypothetical strategy exercise for CECONY; it is not a claim that management or the board made this choice.

The decision

Consolidated Edison Company of New York (CECONY) is negotiating a new rate plan for its Manhattan steam service. A hypothetical CECONY strategy director must advise the company's negotiating team how to position its investment and revenue request before the proposed November 2026 rate year begins.

The team has three broad paths:

1. **Defend the filed plan.** Maintain the proposed near-term revenue and investment program, arguing that reliable service, asset condition, and transition readiness require sustained work.
2. **Accept a lower, staged plan.** Agree to a smaller near-term program, sequencing work as asset, demand, and customer evidence becomes available.
3. **Negotiate a hybrid.** Protect urgent reliability and safety investments while staging other projects against defined evidence, service measures, or review dates.

Which position should CECONY advance, and what conditions should it seek? Your recommendation should specify what work would proceed, what could wait, what evidence would change the sequence, and how the parties should monitor customer and system outcomes.

A distinct service inside a larger utility

Consolidated Edison, Inc. (ED) is the holding company. The pending proceeding concerns CECONY, its regulated New York utility, and only CECONY's steam service. ED's consolidated earnings, capital plan, and electric and gas businesses should not be treated as steam-system results.

CECONY describes a network serving roughly 1,500 Manhattan customers through about 105 miles of mains and approximately 3,000 manholes. Steam is produced at five CECONY plants, with additional steam purchased from Brooklyn Navy Yard. The system is a shared network: investment choices affect reliability and the cost base across connected customers, while building owners may consider individual alternatives over time.

The network may retain value for dense buildings that are difficult to retrofit individually. CECONY also sees a possible role for the system in lowering emissions through changes to production and supply. At the same time, changing customer choices, uncertain future load, high fixed costs, and affordability make the timing and scale of investment consequential. Neither continued expansion nor rapid contraction follows automatically from those conditions.

An active case, but no public settlement terms

CECONY filed its steam rate request in November 2025. It sought an annual revenue increase of about \$66 million. The Public Service Commission (PSC) suspended the requested effective date in December and opened a proceeding; that was a procedural action, not a decision on the merits.

By spring 2026, CECONY had notified parties of settlement discussions and requested a settlement judge. An administrative law judge postponed the planned evidentiary hearing in light of the settlement effort. The company proposed extending the effective-date suspension with a make-whole reconciliation that included interest. The public record establishes that discussions were underway, but not what any participant offered or agreed to.

The parties' stated first-year positions differ. CECONY's August 6 investor presentation summarized its filing and Department of Public Service (DPS) Staff testimony for Rate Year 1, November 2026 through October 2027. It showed a \$66 million company revenue increase and an \$18 million Staff position. The presentation also showed average rate base of \$2.256 billion versus \$2.139 billion, and proposed return on equity/common-equity ratios of 9.90%/48.0% versus Staff's 9.30%/47.5%. These are party positions summarized by the company, not PSC findings.

The same presentation's "new infrastructure investment" entries were \$32 million for CECONY and \$21 million for Staff. They are components of a revenue-requirement bridge, not total capital expenditures. Separately, CECONY testimony reports approximately \$166 million of Rate Year 1 steam capital in its SIOP testimony boundary. An earlier scope summary cited \$189 million, but the reviewed record does not substantiate or reconcile that amount with the approximately \$166 million. The roughly \$23 million difference remains unresolved. Do not treat either capital amount as the presentation's \$32 million revenue effect.

What the investment evidence says-and does not say

CECONY's Steam Infrastructure and Operations Panel (SIOP) testimony reports approximately \$166 million of total steam capital for Rate Year 1, followed by about \$177 million and \$194 million in the next two rate years. It includes an \$89.3 million production-capital subset for Rate Year 1. The testimony identifies proposed decarbonization projects such as an electric boiler, an industrial heat pump, digital optimization, and a low-carbon-fuels pilot. The listed decarbonization capital is \$27.1 million in Rate Year 1, \$53.5 million in Rate Year 2, and \$70.8 million in Rate Year 3. These are company requests and forecasts, not approved expenditures.

DPS Staff's infrastructure and operations testimony recommends steam production capital budgets of \$41.70 million for calendar 2026, \$57.72 million for calendar 2027, \$32.99 million for calendar 2028, and \$41.65 million for calendar 2029, excluding decarbonization. These are calendar-year figures, not Rate Year 1 totals. A crosswalk is needed before comparing them with CECONY's November-to-October schedules. Staff identifies project-level adjustments and historical performance questions; its infrastructure panel states that it did not assess several decarbonization proposals, deferrals, and pilot requests, referring those matters to other testimony. The Staff revenue position should not be read as a blanket rejection of

decarbonization investment.

One example illustrates why project-level evidence matters. CECONY proposed replacing the remaining 1,008 feet of pre-1906 wrought-iron pipe by 2029, roughly 336 feet per year beginning in 2027. Staff cited an average replacement rate of 141 feet per year from 2020 through 2025 and a cost of \$6,450 per linear foot. Those figures raise questions about pace and cost; they do not, by themselves, establish the risk of delay or the right replacement schedule.

Demand and transition are uncertain

CECONY reported weather-adjusted steam sales and deliveries down 3.4% in 2025. In the first six months of 2026, raw delivered pounds rose 2.4%, while the company's weather- and billing-adjusted deliveries fell 5.6%; second-quarter adjusted deliveries were down 4.3% year over year, and raw pounds were down 0.9%. Steam revenue for the six-month period rose \$90 million to \$550 million, including \$36 million of higher fuel expense and \$34 million of steam rate-plan revenue, among other items. The company's weather-normalization clause and rate-plan effects matter. One year or one half-year does not establish a durable demand trajectory, and revenue is not a direct measure of usage, contribution, or peak capacity need.

CECONY's 2024 Steam Decarbonization Study screens 24 technologies and models several pathways. Its "Steam Growth" case assumes peak steam demand rises 35% through 2050; a deep-electrification case assumes peak demand falls 26%. CECONY selected the growth case to test feasibility at higher capacity and reflect business development. That makes the case a stress scenario, not a neutral forecast. The study's long-range capital ranges-from \$13 billion to \$21 billion in its least-constrained pathway and higher ranges under delayed electric or pipeline infrastructure-are company model outputs, not approved rate base or observed project economics. They depend on assumptions about customers, grid capacity, fuels, technology, costs, and dispatch. The company describes the 2030 emissions estimate as conditional; it is not a measured result.

These scenarios frame a portfolio problem. Early investment could maintain reliability and preserve options for a lower-emissions service. Committing too quickly could leave customers paying for underused assets if buildings electrify or demand changes. Deferring work could increase failure risk or future replacement costs. The public material does not quantify these effects project by project.

Planning brief

Prepare a recommendation for CECONY's negotiating team. Choose a posture-defend, stage, or hybrid-and make it operational. Address:

- which investments should be protected, staged, or reconsidered, and what evidence supports those categories;
- how safety, reliability, affordability, demand uncertainty, and decarbonization should be weighed;
- which service or customer measures should trigger acceleration, continuation, or deferral;
- what information CECONY should request from its engineers, customers, and regulators before finalizing project timing; and
- what assumptions or new evidence would cause you to change your recommendation.

The available record does not identify every project's condition, commitment, deferral cost, or customer impact. Do not label an undisclosed share of the capital plan "discretionary." State assumptions rather than presenting them as facts.

Discussion questions

1. Which figures are CECONY requests, Staff positions, company model outputs, observed operating results, or PSC actions? Which are not Commission findings?
2. What can the \$66 million and \$18 million revenue positions tell you? What cannot they tell you about capital, customer bills, or the merits of individual projects?
3. How should CECONY treat the \$189 million, approximately \$166 million, and \$32 million figures? What reconciliation would you request?
4. Do recent demand indicators support a change in investment pace? What additional data would distinguish weather, billing, price, customer exit, and structural load changes?
5. What would make a staged settlement credible to customers and regulators while protecting reliability and preserving useful transition options?

Selected sources

- Con Edison, [Q2 2026 Form 10-Q](#), filed August 6, 2026; quarter ended June 30.
- Con Edison, [Q2 2026 earnings presentation](#), slide 20.
- CECONY, [Steam Infrastructure and Operations Panel testimony](#), Case 25-S-0741.
- NYS DPS Staff, [Steam Infrastructure and Operations Panel testimony](#), Case 25-S-0741.
- Con Edison, [2024 Steam Decarbonization Study](#).
- NYPSC, [CECONY Steam Rate Case 25-S-0741 docket](#). The exercise excludes material filed after the cutoff.