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VII. Gas Cost Factor and Monthly Rate Adjustment – Continued

(A) Gas Cost Factor Components

1. Average Cost of Gas

Pursuant to the Settlement Agreement adopted by the Commission in its Order Authorizing Merger, issued and effective April 2, 1999, gas is purchased under a common supply arrangement for both Consolidated Edison Company and Orange and Rockland Utilities ("Companies"). The arrangement is administered by a single corporate department or entity for the benefit of the Companies, which purchase gas and services for the Companies in a manner that minimizes their total cost. The Company's monthly Average Cost of Gas applicable to the rates under SC Nos. 1, 2, 3 and 13 shall be based upon the Company's apportioned share of fixed and variable costs and shall be computed as follows:

(a) Fixed Gas Costs:

(i) Fixed gas costs include pipeline demand charges, supplier gas inventory charges, storage demand charges, fixed charges for trucked and stored compressed natural gas (“CNG”), fixed charges for trucked and stored liquefied natural gas (“LNG”), suppliers’ site development costs related to used and useful (i.e., not abandoned) CNG and LNG projects (including permitting costs; feasibility, engineering and/or operational studies costs; and property acquisition costs), any fixed charges associated with renewable natural gas (“RNG”), the cost for capacity, including fees, purchased through third party Asset Management Agreements, and any similar charges that do not vary with the volume of gas purchased, including the cost of capacity that enables the Company to offer Capacity Release Service and excluding fixed gas costs associated with assets used for balancing, and applicable surcharges and taxes. Fixed gas costs shall be allocated to each Company using a fixed percentage based on the ratio of each Company's forecasted winter peak day capacity requirement, to the total forecasted peak day capacity requirement of the Companies. The fixed percentages shall be revised annually to become effective November 1. The Company shall advise the Commission Staff on or before October 1 of each year of any changes in the fixed percentages to be implemented the following November 1.

(ii) Fixed gas costs associated with assets used for balancing shall be allocated to each Company using a fixed percentage based on the ratio of each Company’s forecasted balancing service requirements to the total of both Companies’ balancing requirements. The fixed percentages shall be revised annually to become effective November 1. The Company shall advise the Commission Staff on or before October 1 of each year of any changes in the fixed percentages to be implemented the following November 1.

(iii) The Company’s apportioned share of fixed gas costs is further reduced by the costs associated with assets allocated to the Company’s firm transportation customers under Tier 2(A) and Tier 3 of the Company’s Daily Delivery Service offered under Service Classification No. 20.

The Company’s apportioned share of fixed gas costs = (i) + (ii) – (iii).

(General Information - Continued on Leaf No. 156)

Cancelled by 12 Rev. Leaf No. 155.1 Effective 10/01/2020