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August 31, 2017

Honorable Kathleen H. Burgess
Secretary
New York State Public Service Commission
Three Empire State Plaza, 19th Floor
Albany, New York 12223-1350

RE: Case 16-E-0060, Con Edison's Electric Rate Case

Dear Secretary Burgess:

Consolidated Edison Company of New York, Inc. ("Con Edison" or the "Company") is filing with the Public Service Commission (the "Commission") amendments to its Schedule for Electricity Service, P.S.C. No. 10 – Electricity (the "Tariff"), applicable to its customers in the City of New York and the County of Westchester.

The Company's Tariff leaves are issued with an effective date of January 1, 2018. The specific Tariff leaves being revised are identified in Appendix A.

Reason for Filing

This filing is made pursuant to the Commission's Order Approving Electric and Gas Rate Plans, issued and effective January 25, 2017, in Cases 16-E-0060, 16-G-0061, and 16-E-0196 (the "Order"), which adopted the Joint Proposal ("JP") as set forth in Attachment A to the Order. Appendix 20 of the JP ("Appendix 20") provides for the implementation of a Standby Rate Pilot consisting of the following two options: Option 1 - Targeted 10-Year Exemption or Pilot Rates; and Option 2 - Standby/Export Pilot Rates.[1]

In its January 31, 2017 compliance filing in the above-referenced case ("Compliance Filing"), the Company made tariff amendments to implement the targeted exemption under Option 1. Commencing February 13, 2017, the Company convened a collaborative to develop the standby and export rate alternatives required under Option 2.

[1] Appendix 20 (at page 6) outlines the goals of the Pilot as: (1) providing relevant data to Con Edison and all other interested parties to enable the Company to include the impacts of onsite combined heat and power ("CHP") generating facilities and storage in its planning, operations, reliability criteria and in the determination of distributed energy resources ("DER") hosting capability; and (2) to provide relevant data for the design of future DER compensation.

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The Company conducted one online presentation on February 13, 2017, and four collaborative sessions on April 24, June 1, June 22, and July 26, 2017. Although the parties to the collaborative discussions reached consensus on many issues, and the Company made changes to its proposals in response to collaborative input, consensus was not obtained on all issues.

The Company provided a draft of the tariff leaves to the collaborative on August 18, 2017 (with an opportunity to comment by August 25, 2017) and in that communication highlighted certain matters that were not raised in the collaborative but were necessary to address in the draft tariff leaves.

In the instant filing, the Company proposes tariff amendments to implement Option 2.

Tariff Changes

Rider Q - Standby Rate Pilot, is proposed to test the rate options described under Option 2 of Appendix 20:

- Rider Q will allow standby customers under the Tariff and the PASNY Rate Schedule to opt into one or more of three options: Option A - Customer Chooses Contract Demand, Option B – Locational Variant Daily As-used Demand Pricing, and Option C – Export Pilot Credit. Options A and B are available to any Standby Service Customer including Single Party Offset and Multi-party Offset Customers under General Rule 20.2.1(B)(7) and 20.2.1(B)(8) respectively, who would otherwise have taken service under Service Classifications ("SC") 5, 8, 9, 12, or 13, or the PASNY Rate Schedule, except for Customers taking service under Station Use by Wholesale Generators. Option C is available to Customers who would otherwise have taken service under SC 11 and take service under another Service Classification through the same service connection.[2]

- Rider Q defines the Pilot's availability of up to 125 MW, which is comprised of: (1) 75 MW reserved for customers that have qualified under General Rule 20.3.3 (Customers with Targeted Exemptions); and (2) 50 MW available to standby customers, either new or existing, that do not qualify under General Rule 20.3.3. If Customers terminate service under Rider Q, the MW withdrawn by such Customers will not be available to those Customers or any other Customers.

- Under Option A, a Customer may choose to revise its contract demand by giving written notice at least 10 days' prior to the commencement of a billing period. The Customer may request downward revisions once every 12 months, subject to the Company's review of the Customer's engineering analysis justifying the revision, but not within 12 months

[2] Customers with Designated Technologies, as defined in General Rule 20.3.2 of the Tariff, currently must make a one-time election within 30 days before commencing operation of the on-site generation facility to be billed under Standby Service rates. The Company has included language in Rider Q to allow these customers to participate in the Standby Rate Pilot even if they are not currently on standby rates.

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of an increase in contract demand. Exceedance of any contract demand would be subject to a surcharge as set forth in Rider Q.

- Option B provides alternative pricing and time periods for the as-used daily demand delivery charges, per kW of daily peak demand for participating Customers. The alternative pricing converts the applicability of the summer as-used daily demand delivery charges from the current period, Monday through Friday, 8 AM to 6 PM, to four-hour periods. The rates and applicable time periods under Option B will vary based on the Customer's location and are based on event call windows for the Company's Commercial System Relief Program ("CSRP"). A separate set of rates under Option B will be available for Customers in a CSRP network who are also in a Distribution Load Relief Program ("DLRP") Tier 2 network. The CSRP event call windows and DLRP Tier 2 networks will be available on the Company's website.

- Option C offers a credit for SC 11 (Buy-back Service) customers that export during the predefined measurement periods for the applicable summer period(s). The measurement hours under Option C are Monday through Friday, 10 AM to midnight for Customers in the 7 PM – 11 PM CSRP event call window, and 8 AM to 10 PM for all other Customers.

- Applications to participate under Rider Q will be considered until the Pilot is fully subscribed, or if received by December 31, 2021, whichever is sooner. The term of service under Rider Q is ten years from the date the Customer commences taking service under Rider Q or until it expires, whichever is sooner. If a Customer makes a one-time election to terminate its service under Rider Q, the Customer will revert back to its prior rate. If there is no prior rate, the Customer will be subject to its otherwise applicable rate. Rider Q expires on January 1, 2032, ten years after the December 31, 2021 application deadline.

- Consistent with the requirements for Customers With Targeted Exemptions, as specified in General Rule 20.3.4, if a Rider Q customer has a generation facility that is new or expanding and located in one of the zip codes listed in that General Rule, then it must meet the local air quality criteria, provided, however, that eligibility for the Credit will not be affected due to actual emissions exceeding design; and have maximum NOx emissions of 1.6 lbs/MWh if the Customer was enrolled after January 1, 2017, or is located in a zip code not specified in General Rule 20.3.4.

- Consistent with the additional requirements for Customers With Targeted Exemptions, as specified in General Rule 20.3.4, Rider Q customers must provide certain information to the Secretary of the Public Service Commission and may be prohibited from continuing to participate under Rider Q if the Department of Public Service Staff notifies the Company that the Customer failed to do so.

In addition to proposing Rider Q, the Company is proposing the following conforming changes to the Tariff to effectuate the Standby Rate Pilot:

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- The definition of Output Meter in General Rule 2, Definitions and Abbreviations of Terms Used in this Rate Schedule, has been modified to expand its applicability beyond General Rule 20 - Standby Service and SC 11, to the rest of the Tariff provisions that refer to an Output Meter.

- References to the pilot rate established in Case 16-E-0060 in General Rules 20.3.3(a) and 20.3.3(b) have been updated to refer to the new Rider Q.

- General Rule 20.3.3(a) has been modified to clarify the Appendix 20 requirement that at least 25 MW of CHP capacity have the ability to operate in grid-export mode (i.e., the Customer's generation capacity is greater than its Contract Demand billed under Standby Service rates).

- The application for service under the Tariff's Form G has been updated to reflect the addition of Rider Q.

Rider Q Rate Design

The proposed rates under Option B (i.e., Locational Variant Daily As-used Demand Pricing) of Rider Q reflect iterative discussions among the collaborative participants.[3]

The Option B rates were developed as follows:

- Under current standby service rates, the as-used daily demand delivery charges are assessed in summer months[4] based on daily peak demands in two specific time periods:

  Period 1 – weekdays 8 AM to 6 PM; and
  Period 2 – weekdays 8 AM to 10 PM

  Under Option B, Period 1 has been reduced to four-hour windows which vary based on the Customer's location and are based on CSRP event call windows.

- The as-used daily demand delivery charges applicable to the summer Period 2 were decreased, while the summer rates applicable to Period 1 were increased. This was accomplished by shifting revenue from the target revenues for summer Period 2 to the target revenues for summer Period 1. To test the impacts of varying levels of revenue shifting, two sets of summer as-used daily demand delivery charges are proposed under

[3] As noted earlier in this filing letter, consensus was not obtained on all issues. Certain parties advocated that winter rates for daily as-used demands should also reflect revenue shifting (and locational aspects). However, the Company does not support this because there is no cost causation basis for such differentials as the Company's system is designed and built to meet summer peak loads.
[4] Summer months are the months of June through September.

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Option B. For Customers in a CSRP network, except for Customers in a DLRP Tier 2 network, the as-used daily demand delivery charges were determined by shifting 25 percent of the Period 2 revenues to Period 1. For Customers in a CSRP network who are also in a DLRP Tier 2 network, the as-used daily demand delivery charges were determined by shifting 35 percent of the Period 2 revenues to Period 1.

- For networks with 7 PM to 11 PM CSRP call windows, the Period 2 hours were shifted from 8 AM to 10 PM, to 10 AM to midnight to include such CSRP call window within Period 2.

- The revised as-used daily demand delivery charges were designed to be revenue neutral for each service class, which results in the service class (not any individual customer) contributing the same revenues as if the full class was priced under either the standard service class rates or the standby pilot rates, based upon the historic usage patterns[5] of the customers in each class.[6]

Conclusion and Notice

The Company is filing these Tariff amendments to become effective on January 1, 2018. The Company will publish notice of the proposed changes on September 21 and 28, and October 5 and 12, 2017.

Sincerely,

/s/ William A. Atzl, Jr.
Director
Rate Engineering Department

[5] The revenue levels used to design the revised rates were based on the approved revenue levels for Rate Year Two of the Rate Plan (i.e., calendar year 2018). Revised rates for SC 13 (Rate II) were developed based on a five-year average because of the small number of customers in that class.

[6] Under Appendix 20, the Company will defer for future recovery any revenue shortfall for customers that participate in Option 1 - Targeted 10-Year Exemption or Pilot Rates; and Option 2 - Standby/Export Pilot Rates (implemented in the Tariff as Rider Q).

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Appendix A

PSC No. 10 - Electricity: List of Revised Tariff Leaves

Leaf No.	Revision No.	Superseding Revision No.
6	5	4
16	6	4
162.1	1	0
162.2	1	0
177	10	9
239	4	3
240	4	3
241	3	2
242	3	2
243	3	2
243.1	0	
243.2	0	
243.3	0	
243.4	0	
243.5	0	
243.6	0	
243.7	0	
243.8	0	
243.9	0	
243.10	0	
243.11	0	
243.12	0	
243.13	0	
385.0.1	0	
385.1	1	0