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June 29, 2018

Hon. Kathleen Burgess  
Secretary  
State of New York  
Public Service Commission  
Three Empire State Plaza  
Albany, NY 12223-1350

RE: Case 18-G-XXXX, Daily Delivery Service Modifications

Dear Secretary Burgess:

Consolidated Edison Company of New York, Inc. (“Con Edison” or the “Company”) hereby submits for filing with the Public Service Commission (the “Commission”) tariff leaves proposing revisions to its Schedule for Gas Service, P.S.C. No. 9 – Gas (the “Gas Tariff”). The revised tariff leaves are proposed to become effective on November 1, 2018. Appendix A to this filing letter contains a list of the revised tariff leaves that are being filed herewith.

### **Reasons for Proposed Tariff Modifications**

Gas Marketers serving firm transportation customers on the Con Edison gas system must take Daily Delivery Service (“DDS”),<sup>1</sup> a program under which the Marketers receive allocations of the Company’s pipeline capacity, storage and peaking supply assets. DDS currently consists of three tiers:

- Tier 1 – Mandatory Capacity Release
- Tier 2 – Managed Supply (Storage)<sup>2</sup>
- Tier 3 – Peaking

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<sup>1</sup> DDS replaced the Company’s Load Following Service effective November 1, 2016. See Case 16-G-0406, Order Approving Tariff Amendments (issued October 17, 2016).

<sup>2</sup> On December 1, 2017, the Company made a filing with the Commission that proposed to modify DDS by adding a physical storage component to Tier 2. As proposed, Tier 2 was sub-divided into Tier 2(A) - Virtual Storage and Tier 2(B) – Physical Storage. The proposed modification was approved by the Commission in its Order Approving Tariff Amendments, issued and effective March 21, 2018, in Case 17-G-0745.

During the past several years, the Company has experienced a substantial increase in the demand for gas on its system during peak winter periods. Since pipeline capacity coming into the Company's service territory is fully subscribed, the Company has relied more on delivered services to its city gates to meet the needs of firm gas customers. Delivered services have been in the nature of peaking supplies (*e.g.*, the right to call on up to 30 days of supply at the city gate during the Winter period (November through March)). A portion of these peaking supplies is allocated to Gas Marketers pursuant to Tier 3 of the DDS program.

Due to the continuing unavailability of unsubscribed pipeline capacity, and based upon forecasted demands of firm gas customers, the Company is purchasing a portion of delivered services as baseload supply (*i.e.*, a fixed monthly quantity delivered to the city gate during each month of the three-month period December through the following February). During these months, the Company will utilize this baseload supply before using other supply assets.

During this past winter, the Company held meetings with the Gas Marketers and Staff through its collaborative process to explain why the Company planned to (i) purchase baseload delivered supplies and (ii) add a baseload component to the DDS program. Based upon input received from Gas Marketers and Staff at these meetings, and consistent with the overall nature and purpose of the DDS program (pursuant to which Gas Marketers are allocated portions of the Company's capacity and supply portfolio), the Company is proposing to modify its DDS program by adding an initial tier called "Baseload."

### **Summary of Proposed Tariff Changes**

The following is a summary of Con Edison's proposed changes to its current DDS program.

- The Company is proposing to add a Baseload component to the DDS program, effective November 1, 2018.
- For the months of December, January and February during each winter season, Gas Marketers will be allocated shares of the Company's baseload delivered supplies. The allocation will be based on a ratio of the individual Gas Marketer's Slope Component to the total of all Marketers' Slope Components times the Marketers' share of the total Company baseload assets.
- The Gas Marketer's Baseload Service quantity will be applied first to the Gas Marketer's daily deliveries to its customers (*i.e.*, before any quantities from Tiers 1, 2 or 3 of DDS are utilized) and must be utilized in full by the Gas Marketer in each of the three peak winter months.
- The bundled commodity rate for the Baseload Service will be designed to recover the commodity cost plus a basis cost incurred by the Company for baseload supplies and will be billed directly to the Gas Marketer by the Company. The monthly rate will be published in the Company's Statement of Balancing Service Charges.
- To secure payment for Baseload Service Charges, unless a Gas Marketer is

participating in the Company's Purchase of Receivables ("POR") program, the Gas Marketer will be required to make a prepayment to the Company similar to the prepayment required under Tiers 2 and 3 of the DDS. The prepayment must be made via wire transfer or ACH payment no later than three (3) business days prior to the last day of the month preceding the month for which the Gas Marketer will receive a Baseload Service allocation. For Gas Marketers participating in the POR program, payment amounts owed to the Company for the Marketer's Baseload Service Charges will be netted by the Company against the Company's monthly POR payment to the Marketer unless the Marketer submits payment directly to the Company. In the event that the POR payment amount in any month is insufficient to cover the Baseload Service, Tier 2(A) and Tier 3 demand and commodity components, the Marketer will be required to pay the Company directly for the full amount of those demand and commodity components.

The Company is also making a minor clarification to the Gas Tariff's Gas Cost Factor provision to clarify that any revenues resulting from the WBSS program, which will be used to offset the cost of gas, will be for service rendered prior to March 1, 2017, since WBSS was discontinued as of that date.

Upon Commission approval of the proposed Tariff revisions, the Company will update its Gas Sales and Transportation Operating Procedures ("GTOP") Manual consistent with the DDS program changes described above.

### **Conclusion and Notice**

The Company will provide for public notice of the tariff changes proposed in this filing by means of newspaper publication once a week for four consecutive weeks prior to the effective date. Enclosed is a proposed form of Notice of Proposed Rule-Making for publication in the State Register pursuant to the State Administrative Procedure Act.

Sincerely,

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

Enclosures (Appendix A and SAPA Notice)

Appendix A

PSC No. 9 Gas: List of Tariff Changes

<u>Leaf No.</u>	<u>Revision No.</u>	<u>Superseding Revision No.</u>
157	14	13
158	15	14
177	13	12
279	9	8
382	9	8
385	4	3
385.1	0	
386.3	3	2
386.4	3	2
386.5	1	0
394	4	3