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February 28, 2014

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

RE: Case 13-G-0031, Con Edison's Gas Rate Case

Dear Secretary Burgess:

Enclosed for filing with the Public Service Commission (the "Commission") are revised schedule leaves issued by Consolidated Edison Company of New York, Inc. ("Con Edison" or the "Company") to the Company's Schedule for Gas Service, P.S.C. No. 9 - Gas ("Gas Schedule"), applicable to its customers in the City of New York and the County of Westchester.

The Company's schedule leaves are issued with an effective date of March 1, 2014. The specific leaves and statement being revised are identified in Appendix A.

Reason for Filing

The Commission's Order Approving Electric, Gas and Steam Rate Plans in Accord With Joint Proposal, issued and effective February 21, 2014, in Case 13-E-0030 et al. (the "Order") adopted the Joint Proposal ("JP") set forth in Appendix A of the Order, with certain modifications.

The Order provides for a three-year rate plan in which Rate Years ("RY") 1, 2 and 3 are the twelve-month periods commencing January 1, 2014, January 1, 2015 and January 1, 2016, respectively. Under the rate plan, the gas delivery service revenue requirement is decreased by $54.602 million in RY1, and increased by $38.620 million and $56.838 million in RY2 and RY3, respectively. The revenue requirements are levelized during the three years of the rate plan to remain equal to the current level of gas delivery service revenues.[1]

[1] At the end of RY3, the resultant level of gas delivery service revenue requirement is $40.856 million higher than current rates provide. Therefore, $40.856 million of the levelized change in RY3 will be effectuated via class-specific temporary credits that will expire at the end of RY3. As a result of levelizing, a $32.265 million customer credit will remain at the end of the three-year rate plan which will be applied to reduce the customer bills in the year after RY3 if rates are not otherwise reset by the Commission for that year.

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Revenue Allocation and Rate Design

Gas Schedule Revenue Changes

The revenue allocation for firm customers is described in Appendix 21 of the JP.

A portion of the Rate Year delivery revenue change was assigned to competitive service revenues in setting the rates for (1) the supply-related component of the Merchant Function Charge ("MFC"), excluding changes to the gas in storage working capital cost component; (2) the credit and collection-related component of the MFC and (3) the billing and payment processing ("BPP") charge. The balance of the delivery revenue change applicable to each class was then used in setting the non-competitive delivery rates for each class. The net change in the competitive and non-competitive delivery rate changes results in no overall revenue change.

While there is no overall change in total delivery revenues for the firm service classes as a whole, there are changes in delivery revenues by service classification ("SC"), which are shown on Appendix B.

In addition, the RY1 allocation of the total credit and collection target between the MFC and the credit and collection component of the purchase of receivables ("POR") discount is shown on Appendix C.

Rate Design

FIRM:

Appendix 21 of the JP describes the rate design process for firm customers. Some of the items described in Appendix 21 are identified below:

- The minimum monthly charges for SC 1, 2, 3 and 13 and for their corresponding SC 9 rates were not changed and remain at the October 1, 2012 level.

- Competitive delivery rates were set to reflect the RY1 revenue requirement. The BPP charge was increased from $1.04 to $1.20 for a single service customer and from $0.52 to $0.60 for a dual service customer.

NON-FIRM:

In addition to the firm rate changes, sections of the tariff related to non-firm rates have been amended to reflect the following:

(1) Rate 1 interruptible customers:
  - A single rate structure for each of the three customer categories (i.e., residential, non-residential and non-residential petroleum business tax ("PBT") exempt) and the elimination of the four priorities of service (Priority AB, Priority C, Priority D and Priority E) for each customer category.

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- A monthly minimum charge and separate rates for each block of a three-tiered block rate structure. The monthly minimum charge, which includes the first three therms or less, will be set at $100 and will be phased-in over the three Rate Years in equal increments. The remaining three block rates will cover usage for the next 247 therms, the next 4,750 therms and usage over 5,000 therms, respectively.

(2) Off-Peak Firm Rates:

- The rate per therm for one, two, and three-year contracts for Off-Peak Firm service customers will each be priced at 8 cents per therm except for existing customers who entered into contracts prior to March 1, 2014. These customers will continue to be charged either 8.0 cents, 7.5 cents or 7.0 cents per them, depending on their contract term, until their contracts expire. The 1 cent per therm discount for monthly usage greater than 500,000 therms will remain in effect.

<u>Other Tariff Changes</u>

Other tariff changes made in accordance with the Order are described below:

- <u>Low Income Program:</u> The low income rate provisions in SC 1 and SC 3 and the equivalent rate provisions in SC 9, [2] have been modified to provide annual rate reductions of approximately $10.9 million: $2.5 million for SC 1 low income customers and $8.4 million for SC 3 low-income customers, including customers served under the SC 9 firm transportation equivalent of those rates. In addition, the one-time waiver of the reconnection fee for low income customers will continue. The reconciliation of low-income discounts will also continue.

- <u>Uncollectible Bill Factor ("UB") associated with the Gas Cost Factor ("GCF") and the Monthly Rate Adjustment ("MRA"):</u> The UB factors associated with the GCF and MRA are each reconciled to a system UB factor of 0.81 percent. (The residential UB factor was set at 1.3176 percent and the non-residential UB factor was set at 0.4473 percent).

- <u>Revenue Decoupling Mechanism Adjustment ("RDM"):</u> General Information Section IX.14 has been modified to reflect that (a) effective January 1, 2014, the customer groups covered by the RDM will now include the oil to gas conversion customers that were previously excluded from the RDM, and (b) actual delivery revenue, which includes an adjustment to add back the cost associated with the per-therm rate discounts provided to SC 3 low income customers, will also include an adjustment to add back the cost associated with the minimum charge discount provided to SC 3 low income customers.

- <u>Make Whole:</u> "Make whole" provisions were added to recover or refund revenue under- or over-collections, resulting from the extension of the rate case suspension period: (a) Revenue

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[2] There is no change to the eligibility criteria for customers to participate in the Company's low income program.

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under- or over-collections associated with non-competitive delivery revenues will be recovered or refunded, with interest, through class- or subclass-specific per-therm adjustments as described in new General Information Section IX.20. Delivery Revenue Surcharge; (b) Uncollectible expense under- or over-collections associated with the MRA and MFC will be reconciled through each component, respectively, over a one-month period; (c) Billing and Payment Processing charge under- or over-collections will be reconciled through the Transition Adjustment for Competitive Services included in the MRA over a one-month period, and (d) Revenue under- or over-collections associated with competitive revenues (including supply- and credit and collection-related components of the MFC, gas in storage working capital and the credit and collection component reflected in the discount rate under the Purchase of Receivables program) will be reconciled through each component's respective annual reconciliation.

- Disposition of Non-Firm Revenues: Tariff provisions related to the disposition of Non-Firm Revenues ("NFRs") have been revised as follows:

    a. For each Rate Year the Company will retain 100 percent of the first $65 million of NFRs.
    b. For NFRs above $65 million in any Rate Year, firm customers will be credited with 85 percent of the amount above $65 million beginning in the subsequent month and the Company will retain 15 percent.
    c. If NFRs are less than $65 million in any RY, the Company will (i) defer on its books of account for future recovery from customers, with interest, the amount by which NFRs are less than $65 million, and (ii) surcharge firm customers that amount in the subsequent RY (i.e., for 100 percent of the difference between $65 million and the amount actually achieved).

- The Factor of Adjustment ("FOA") for Lost and Unaccounted for Gas: For RY1, the FOA is 1.0206. The FOA will be updated each year as described in General Information Section VII.(A)(d). The calculation of Lost and Unaccounted for Gas and the determination of the associated incentive/penalty have been amended as described in Section B.2.d. of the JP.

- Balancing Charges for Power Generation Transportation Customers: All Power Generator customers taking Balancing Services will be subject to a "Variable Balancing Charge" as detailed in Service Classification No. 9, Rates (I)(2). For the initial period ending October 31, 2014, the rate will be 0.12 cents per therm. Customers taking service under a negotiated contract will continue to be subject to the charges defined in such contracts.

- Off-Peak Firm Customer Prepayment for Facilities Costs: SC Nos. 9 and 12 have been amended to reflect that the annual guaranteed minimum bill revenue for the period of an Off-Peak Firm customer's initial contract term will be used as a credit when determining the customer's cost responsibility for any additional main and service connections.

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- Firm Residential Heating Customer Main Extension Entitlements:
    a. New residential heating customers who agree to and can receive service at the same time on a common main, will have their 100-foot main extension entitlement multiplied by the total number of new customers connecting to the same main at the same time.
    b. Multiple-dwelling units, where the units are individually metered for heating purposes, will be entitled to 100-feet of main extension multiplied by the number of individually metered units.

- Gas Manufacturing Incentive Rate (Rider I): This Rider has been re-opened and applications will be accepted through December 31, 2015. This Rider will remain in effect through December 31, 2020.

- Proration of Monthly Rates and Charges: General Information Section III.8.(E) relating to the proration of delivery rates has been expanded.

- Millennium Fund Surcharge: The Millennium Fund Surcharge, applicable to all firm customers as a component of the MRA, has been updated pursuant to the Joint Proposal.

- Corporate Overhead Rates for Special Services: The corporate overhead rates charged to customers for special services, such as, engineering or construction management, have been revised in General Information Section IV.2.

- Weather Normalization Adjustment: The Weather Normalization Adjustment in General Information Section IX.1.(A) has been modified to reflect the use of a 10-year average in calculating normal weather.

- Customer Contribution for Additional Facilities: General Information Section III.3.(C) has been modified to allow for refunds to customers paying for a line extension via an upfront contribution similar to the refunding of surcharge payments.

- Gas Facility Costs Credit Provision: The reconciliation of the Gas Facility Costs, as described in General Information Section IX.3. will now be performed on a 12-month basis rather than on a monthly basis.

- Distributed Generation Guide: References to the Company's Distributed Generation Guide (the "Guide") for electric generation over 2 and up to 20 MW have been added to Rider H, Rider J and SC No. 9.

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- Housekeeping Changes: Housekeeping changes were made as follows:
    a. Several obsolete and expired New York State tax provisions were removed from the tariff.
    b. Various minor housekeeping changes were made throughout the tariff, primarily to insert clarifying language.
    c. Rider G has been amended to recognize the Empire Development Zone Program has been closed to new applicants.

Statements

The current filing includes the Statement of Rate Adjustment Clause – RAC Statement No. 6.

Conclusion and Notice

As directed by Ordering Clause 3 and Ordering Clause 4 of the Order, the Company has filed its tariff amendments to take effect on a temporary basis, on one day's notice, effective March 1, 2014.

As directed by Ordering Clause 3, the Company is serving copies of this filing electronically upon all parties to this proceeding.

As directed by Ordering Clause 6, the Company will file proof of newspaper publication within six weeks of the effective date of the tariff amendments.

Sincerely,

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

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Appendix A

PSC No. 9 – Gas: List of Tariff Changes

Leaf No.	Revision No.	Superseding Rev. No.	Leaf No.	Revision No.	Superseding Rev. No.
5	17	16	178.2	0	-
6	7	6	179	9	7
30	2	0	180	12	11
31	3	1	181	13	11
34	1	0	181.1	3	1
43	4	2	181.2	4	2
50	2	0	182	15	13
51	1	0	183.2	8	7
76.1	6	5	228	20	18
89	4	3	230	17	15
117	5	3	232	2	0
128	7	5	233	4	2
148	2	0	234	11	9
149	2	0	240	20	18
152	16	14	241	5	3
154.1	4	2	242	4	2
154.6	11	9	243	12	10
154.8	11	9	252	4	2
154.9	14	12	269	18	16
154.10	3	1	270	17	15
154.11	3	2	271	17	15
154.14	3	2	272	14	12
154.17	6	4	274	10	8
154.18	14	12	275	9	7
154.19	3	1	277	5	3
154.24	14	12	277.3	2	0
154.25	11	9	300	4	3
154.26	11	9	300.1	1	0
154.27	7	5	300.2	1	0
154.28	3	2	300.3	8	6
157.1	5	3	303.1	11	9
159	12	10	318	4	3
164	9	8	323	3	2
166	13	11	329	5	2
166.2	10	8	330	5	2
169	8	7	331	6	4
170	4	3	332	13	11
171	5	4	334	3	1
172	1	0	342.1	3	2
173	5	3	343	5	4
175	6	4	349	19	17
177	11	10	382	6	4
178	14	13	390	11	9
178.1	8	7			

Statement	Statement Type	Statement No.
Statement of Rate Adjustment Clause	RAC	6

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CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

Estimated Effect on Gas Customers' Bills and Company Revenues Resulting from Proposed Gas Rates
Based on Forecasted Sales and Revenues for the Twelve Months Ending December 31, 2014 for Service Classification Nos. 1, 2, 3, 13 and 14
and the Corresponding SC 9 Firm Transportation Sub-classes

Firm Service Classification (Sales and Transportation)	Annual Therms	Total Annual Revenues at Current 10/01/12 Rates (b) (c)	Total Annual Revenues at Proposed Rates (b) (c)	Estimated Total Annual Revenues Increase/(Decrease)	Percent Change	Number of Customers' Bills Increased	Number of Customers' Bills Decreased	Number of Customers' Bills Not Changed
1 - Residential & Religious	43,740,000	$ 215,265,251	$ 215,816,512	$ 551,261	0.3%	7,191,514	1,870	806,306
2 - General - Rate I - Non-Heating (a)	198,890,724	$ 243,800,964	$ 245,561,248	$ 1,760,284	0.7%	724,417	933	25,471
2 - General - Rate I - Distribution Generation	26,350,000	$ 23,071,806	$ 23,150,357	$ 78,551	0.3%	771	88	0
2 - General - Rate II - Heating (a)	310,418,310	$ 397,085,587	$ 395,002,039	$ (2,083,548)	-0.5%	303,106	418,277	50,426
2 - Total Commercial	535,659,034	$ 663,958,356	$ 663,713,644	$ (244,713)	0.0%	1,028,294	419,298	75,896
3 - Residential & Religious - Heating (a)	693,857,364	$ 991,870,796	$ 991,560,524	$ (310,272)	0.0%	1,396,230	609,460	1,580,301
13 - Seasonal Off Peak Firm Service	970,000	$ 1,001,764	$ 1,005,488	$ 3,724	0.4%	4,536	0	129
14 - Natural Gas Vehicles	190,000	$ 451,702	$ 451,702	$ 0	0.0%	0	0	0
Total Firm Sales & Firm Transportation	1,274,416,398	$ 1,872,547,870	$ 1,872,547,870	$ 0	0.0%	9,620,574	1,030,628	2,462,632

(a) Gas air-conditioning is included in SC 2 and SC 3.
(b) Annual Revenues reflect the gas cost factor and monthly rate adjustments, merchant function charges and various other charges used in calculating Rate Year Revenues.
(c) Annual Revenues include gas supply costs for transportation customers equivalent to what these customers would have paid as full service customers.

Appendix B

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Consolidated Edison Company of New York Inc.
Case 13-G-0031
Rate Design Targets

	Supply MFC	C&C MFC	C&C POR	C&C Total *	BPP	Non-Competitive
Rate Year 1	$ 2,812,413	$ 3,954,724	$ 2,294,337	$ 6,249,061	$ 7,868,300	$ 930,382,677
Rate Year 2	$ 2,881,320	TBD	TBD	$ 6,402,168	$ 7,897,545	$ 952,242,227
Rate Year 3	$ 2,948,321	TBD	TBD	$ 6,551,043	$ 7,926,319	$ 974,540,325

* The allocation of the C&C Total for Rate Year 2 and Rate Year 3 between the C&C MFC and C&C POR will be reflected in the compliance filing for each respective Rate Year.

Appendix C