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a conEdison, inc. company

Consolidated Edison Company
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April 1, 2013

Honorable Jeffrey C. Cohen
Acting Secretary
State of New York
Public Service Commission
Three Empire State Plaza
Albany, N.Y. 12223-1350

Re: 13-G-____ Proposed Tariff Revision

Dear Secretary Cohen:

Consolidated Edison Company of New York, Inc. ("Con Edison" or the "Company") herby submits for filing with the Public Service Commission (the "Commission") the following tariff leaves proposing revisions to its Schedule for Gas Service, P.S.C. No. 9 – Gas (the "Gas Tariff").

Leaf No.	Revision No.	Superseding Revision No.
38	1	0
38.1	0	
38.2	0	

These tariff leaves are issued April 1, 2013 to become effective on July 1, 2013.

Background

On April 21, 2011, the City of New York ("City") adopted an amendment to Chapter 2 of Title 15 of the Rules of the City of New York, which governs emissions from the use of No. 4 and No. 6 fuel oil in heat and hot water boilers and burners ("emissions regulation" or "Clean Heat program"). This emissions regulation phases out the use of the heaviest heating oils and requires building owners to switch to No. 2 oil, natural gas or another heating system either by 2015 (for No. 6 oil) or 2030 (for No. 4 oil) or upon replacement/retirement of their existing equipment, whichever comes first. As the gas utility in Manhattan and other parts of the City, Con Edison was an interested party in the drafting of the City's emissions regulations and in participating in the implementation of the City's Clean Heat program.

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Reason for Filing

Subsequent to the promulgation of the emissions regulation, the Company studied the potential for a targeted program to help implement the City's new regulations and facilitate oil to gas conversions that would allow for gas expansion in areas within the City of New York without financially burdening the Company's existing customers.

In consultation with the City and with Staff at the Department of Public Service, the Company explored options for connecting new "oil-to-gas" heat conversion customers. The Company began by marketing directly to No. 4 and 6 oil customers within its service territory in the City of New York (the Bronx, Manhattan and part of Queens) under its existing tariff and successfully converted an initial group of over 500 large No. 4 and 6 oil buildings to gas heating in the City. However, several obstacles presented themselves with regard to further facilitating conversions, including existing limitations in the Company's Gas Tariff.

First, given the strong interest in response to the Company's marketing efforts, and the large number of conversion requests, the lack of any geographic coordination of requests presented an obstacle to the handling of service requests in an efficient, timely and cost-effective way. Conversion requests came from applicants in geographically disparate areas that did not allow for aggregation of requests within a focused area. Second, the upfront cost for customers to connect based on the Company's current Gas Tariff provisions is, in many circumstances, a barrier and may cause a potential customer to consider staying with oil as a fuel by switching to No. 2 oil, rather than converting to using natural gas for heating. Some applicants were provided significant estimates of costs to connect to the Con Edison system under the current tariff provisions, beyond their individual internal conversion costs. The ability to respond to conversion requests is, therefore, severely hampered by these geographic and cost considerations, and conversion on any large scale is impractical without certain changes to the existing Gas Tariff to allow sufficient flexibility to consider these potential oil-to-gas heat conversion customers in the aggregate on a geographic basis and thereby help facilitate the City's Clean Heat Program, as detailed below.

Pursuant to Part 230 of the Commission's regulations and General Rule 3(B) of the Gas Tariff, non-residential applicants for service are entitled to a free allowance of up to 100 feet of main and/or service line. If, in order to provide service to the applicant, the Company must install mains and appurtenant facilities in addition to those required to be provided without charge, the Company imposes a surcharge, or equivalent in cash or trenching or other work, in lieu of the surcharge.[1] Under General Rule 3(C)(1)(f) of the Gas Tariff, however, no surcharge is imposed if the total adjusted gas revenue from all customers served from a main extension is estimated to exceed 40 percent of the actual reasonable cost of such extension in each of any two consecutive calendar years. This "revenue test" allows many larger customers who may not be within100 feet of an

[1] General Rule 3(C)(1) of the Gas Tariff and 16 NYCRR 230.3.

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existing main, or who require main reinforcement, to receive gas service from the Company at no cost to connect because the anticipated revenues from these customers, in the aggregate, economically justify the projects. For customers whose anticipated aggregate revenues do not meet the revenue test, a surcharge or cash equivalent is calculated and charged, and this surcharge can be a significant deterrent to conversion.

The Company, therefore, is proposing a change to the Gas Tariff that would provide the Company greater flexibility to connect customers to Con Edison's gas system. Applicants within a specified area or zone will be connected without customer contribution if it is determined that the provision of such service to all heating applicants within that zone is cost-justified on an aggregated basis. This proposed program requires a determination that such gas main extensions are *economically justified* under Part 230.2(f) of the Commission's regulations, which provide that "[e]ach corporation may, in its tariff schedules, extend such obligation [to provide facilities without charge], to the extent the provision of additional facilities without charge is cost-justified."

The Company respectfully submits that the proposed change is consistent with the Commission's existing regulations. To the extent the Commission finds that the regulations do not allow for the change proposed herein, the Company requests a waiver of the Commission's regulations at Part 230 (§230. 3) to allow the Company to extend the provision of facilities to oil-to-gas heat conversion applicants within a designated geographic area, without charge, where economically justified. This change is specifically to facilitate the City's Clean Heat program and its goal of achieving fewer emissions through its recent promulgation of rules requiring the phasing out of the use of Nos. 4 and 6 heating oil.

Area Growth Program Proposal

The Company is proposing to add a provision to General Rule III that would establish a New York City Clean Heat Area Growth Program ("Area Growth Program" or "Program"). The Company has conducted, and will continue to conduct, engineering and economic assessments of the No. 4 and 6 heating oil building density in specific neighborhoods within the City ("Area Growth Zones" or "zones") and will assess each zone for the viability of completing all gas construction within each such zone based on the assumption that there will be no customer contribution towards the cost to connect customers within each zone. As a result of its analysis of such density and interest in conversions, the Company has established specific zones within the City taking into account the following:

1. Density of potential applicants (*i.e.*, No. 4/6 oil-burning buildings)
2. Customer load projections
3. Geological constraints (water, bedrock, natural barriers)
4. Infrastructure interference (pedestrian plazas, subway lines, other utility/municipal infrastructure such as water tunnels, in state/city roadways)

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The Company will set and define the initial physical boundaries of each zone in a statement filed with the Commission, as well as on its website prior to the commencement of enrollment in the Program. Potential customers in each zone will be solicited during a window of time, up to a year before construction. Interested heating applicants who submit a work request through the electronic submission platform (known as “Project Center” on the Company’s website) for firm heating service within a zone will be analyzed by the Company. An analysis will be conducted for each zone by plotting all potential heating customer requests within a zone in an engineering model, assessing load (as provided by the potential customer in its work request) and related potential revenue, and determining aggregate capital costs associated with main extensions, services and other system conditions. If the results of this analysis indicate that construction in that zone in the aggregate is economically justified, the Company will move forward with construction in that particular zone at no direct utility cost to oil-to-gas heat conversion applicants who elect to take gas on a firm basis, for connecting with a single service to the property line and a point of entry to be determined by the Company.

In order to maximize the number of customers that can be converted in each zone without a cost to connect charged directly to heat conversion customers, a Rate Impact Test will be applied to each Area Growth Zone. The test will take into consideration the present value of the anticipated delivery revenue (Pure Base Revenue or “PBR”) less the present value of the revenue requirement associated with the additional facilities needed to serve those additional applicants. The present value of PBR will be calculated by first converting the anticipated load of each applicant in that zone into therms and then taking the aggregate PBR of those applicants and discounting it by the Company’s weighted average cost of capital over a ten-year term. The Company will take into consideration in its model the average time difference between the completion of service connections and the realization of revenues. If the present value of the PBR exceeds the present value of the revenue requirement associated with net plant that is used to serve those customers over a ten-year time period, then the project will be considered economically justifiable.

If, on the other hand, the Company’s analysis indicates that construction in the zone is not economically favorable and justifiable in the aggregate without a direct contribution from heating conversion customers, the Company may reexamine the boundaries of that particular zone to determine if shrinking the zone will assist in making area growth in that smaller zone viable. If redefining the boundaries allows a zone to be viable and cost-justified, then the boundaries of a zone may be so redefined by narrowing them. In such a case, remaining applicants would be notified that service to them would not be cost-effective under this new Program and that the otherwise applicable Gas Tariff rules will be applied to determine their cost contribution, if any, under the currently-effective rules. If the Company is unable to redefine that zone in order to yield a result that meets the cost-justification criteria established by the Company, the Company will not proceed with this Program in that Area Growth Zone.

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As part of the Program, the Company will require applicants within a zone to execute and deliver to the Company a letter committing to moving forward with gas conversion by a date certain. The Company will also require applicants to attest in an affidavit that they will disconnect their oil burning capabilities in a manner deemed to be permanent and in accordance with requirements of New York City's Department of Buildings or equivalent agency and any other agency with oversight related to the fuel storage or fuel-burning equipment. This affidavit must be signed by a party holding a financial stake in the premises or their designee before a service will be installed, upgraded or relocated into the customer's premises. The Company retains the right to switch the customer to another appropriate service classification if in the course of doing business, the Company becomes aware that the customer has not disconnected as stated in the affidavit. The Company may also audit customer gas usage against anticipated revenue and, if the customer's natural gas usage indicates that the customer may be burning an alternate fuel, then the customer will be provided notice and switched to an appropriate service class if the customer cannot demonstrate other satisfactory reasons for the deviation from anticipated usage. In such a case, the customer may also be required, at the Company's discretion, to pay for the service and facilities installed. Customers will be required to remain on a firm rate for a minimum period of ten years from the date the service commences.

Other than for oil-to-gas heat conversion applicants within the Area Growth zones, new customer applications will continue to be analyzed in accordance with the General Rule III of the Gas Tariff. The Program will not extend beyond December 31, 2020.

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Conclusion and Notice

The primary goal of the proposed Gas Tariff modification is to facilitate customer participation in the City's Clean Heat program on a cost-effective basis for new and existing gas customers. This will also facilitate and enable the environmental goals established by the City under its emissions regulations while also minimizing noise and other pollution from repeated or duplicative construction efforts in the same areas. The Company also endeavors through this Program to expand the availability of gas mains for future growth within the City, providing a lower cost and cleaner energy solution for buildings and making the area more attractive for businesses and developers.

Pursuant to 16 NYCRR Part 61.10, the Company hereby seeks Commission permission to make this filing during the pendency of the Commission's review of the Company's gas base rate filing. The Company is filing this tariff amendment separate and apart from its pending rate proceeding in Case 13-G-0031 in an effort to provide the opportunity for Commission approval of the Area Growth Program prior to the conclusion of the rate proceeding and thereby enable the Program's implementation at an earlier point in time.

Sincerely,

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