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December 21, 2016

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

**RE: Proposed Steam Tariff Changes Regarding Prepayments for
Interconnection, Location of Service Lines, and Access to Premises**

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 Steam Service, P.S.C. No. 4 – Steam (the “Tariff”), applicable to its steam customers in the Borough of Manhattan, New York City.

The Tariff Leaves propose changes to the following: the Table of Contents; General Rule 3.1.5 – Prepayment for Extension or Reinforcement of Mains (“Mains Prepayment”) and its associated Rider A agreement; General Rule 3.2.1 – Service Lines; General Rule 3.2.2 – Prepayment for Installation of Service Line and Furnishing of Service Equipment (“Service Line Prepayment”) and its associated Rider B agreement; and General Rule 3.4.3 – Access to Premises. The Company proposes to: (1) revise the test used to assess whether a Mains Prepayment or Service Line Prepayment is required from a two-year revenue test to a five-year test; (2) specify that prepayment amounts may be revised due to material changes in Customers’ requirements; (3) mandate that all Customers requiring a mains extension or reinforcement sign a Rider A agreement and all customers requiring installation of service line and furnishing of service equipment sign a Rider B agreement; (4) allow the Company additional flexibility in determining the point of service line termination; and (5) make additional minor changes.

The Tariff Leaves are identified in Appendix A and are proposed to become effective April 1, 2017.

Proposed Tariff Changes

Mains Prepayment and Service Line Prepayment and Associated Riders A and B

Under current General Rules 3.1.5 and 3.2.2 for Mains Prepayment and Service Line Prepayment, respectively, Customers must make a prepayment if the Company's expected cost exceeds two years' estimated revenue from the Customer.¹ Further, a Customer may be required to make a payment if, subsequent to the installation, the Company determines that the Customer did not provide sufficient revenue within the first two years to justify the Customer avoiding the prepayment.

The Company proposes that, commencing with applications made on or after April 1, 2017, the Customer will be required to make a prepayment only if the Company's expected cost exceeds five years' estimated revenue from the Customer. The Company also proposes to clarify that the prepayment amount may be revised if there is a subsequent material change in the Customer's requirements that affects either the Company's estimated construction cost or estimated revenue, such as a change in the service point of entry, service commencement date, or Load Letter signed by a Professional Engineer. Accordingly, when the Customer makes changes, the prepayment will reflect the updated estimated costs and scope of work. For example, a project delayed for two years could result in significantly higher construction costs due to cost escalation or new street route interferences.

The Company proposes to require Customers to sign a Rider A or Rider B agreement, as applicable, independent of whether the Customer is required to make an upfront payment so that Customers who require an extension or reinforcement of mains or installation of service line and furnishing of service equipment are aware that: (a) an additional payment may be required in the future if the customer does not provide sufficient revenues as compared to projected five-year revenues, and (b) the prepayment amount may be revised, due to a material change in the Customer's requirements. The Rider A and B agreements have been amended to state these two conditions for payment. In addition, the title of General Rule 3.1.5 and its associated Rider A has been renamed, "Agreement and Prepayment, As May Be Required, for Installation of Service Line and Furnishing of Service Equipment." A similar change has been made to the name of General Rule 3.3.2 and its associated Rider B.

Further, the Company has revised Rule 3.1.5 regarding Customers who enter into agreements to make annual payments over a 10-year period for the extension or reinforcement of mains.² The credit for Customers making annual payments is equal to the total amount collected from the Customer less revenues attributable to the Increase in

¹ The tariff defines estimated revenues as the total revenue from the customer less revenues attributable to the Increase in Rates and Charges, fuel adjustment revenues, and the base cost of fuel. The calculation is intended to derive pure base revenue.

² After the first installation payment, payable prior to or upon the commencement of service, subsequent installment payments are equal to (a) the estimated cost of the main extension or reinforcement times the Company's weighted capital recovery factor, less (b) one-tenth of the amount collected in bills over the preceding 12 months. On the tenth anniversary, the Customer is credited for one-tenth of the amount collected in bills over the preceding 12 months.

Rates and Charges, fuel adjustment revenues, the base cost of fuel, and the Temporary State Adjustment Surcharge. This calculation is equal to the pure base revenue amount, consistent with the methodology used to determine the prepayment amounts.

In addition, minor changes are proposed to the General Rules for Mains Prepayment and Service Line Prepayment and their associated Riders. First, the Company has revised the “estimated revenue” to exclude the Temporary State Assessment Surcharge.³ This change is needed, because the estimated revenue calculation is intended to reflect pure base revenue only. Second, the Company has clarified that it will make monthly repayments to customers of their prepayments, equal to one-tenth of the total amount of each bill for steam supplied to the Customer plus, if applicable, one-tenth of the total amount of each bill for steam supplied to other new Customers connected by that service line⁴ until the earlier of the prepayment’s complete refund or ten years from the date when service is first supplied.

Service Lines

The Company proposes a change to General Rule 3.2.1 to allow it additional flexibility in determining the point of termination of the service line. The Company will install such line to a point determined by the Company to be convenient and practicable.

Access to the Premises

The Company proposes two changes to General Rule 3.4.3. First, the Company has defined the service stop valve as the “Inside Steam Service Stop Valve” and the meter stop valves as the “Meter Inlet Stop Valve” and “Meter Outlet Stop Valve,” to align the Tariff descriptions with the labels on equipment warning tags and in engineering documents. Second, the Company has reiterated in this General Rule that it may assess charges, as specified in General Rule 3.11, if the Customer breaks a Company seal for non-emergency reasons.

³ This surcharge is described in General Rule 5.2. As directed in Commission Orders dated June 19, 2009 and June 18, 2014, in Case 09-M-0311, the surcharges are applied for each 12-month period commencing July of each year through June 2017 and for the six-month period commencing July 2017 to collect any Public Service Law Section 18-a assessment for the State fiscal year that commenced April of that year above the amount reflected in base rates, plus uncollectible expenses at the rate reflected in base rates and working capital costs at the Company’s pre-tax rate of return.

⁴ General Rule 3.1.5 currently states that the Company will make repayment of a Customer’s prepayments, based on revenues from the Customer and “other Customers connected to such main extension by a service.” This text has been revised to clarify that the prepayment is based on revenue from the Customer and “other new Customers connected by a service line to such main extension or reinforcement.” General Rule 3.2.2 currently refers to repayment of a Customer’s prepayments based on the Customer’s revenues. This text has been revised to indicate that the repayment of revenues should also be based on revenues from other new Customers connected to such service line. Furthermore, both General Rule 3.1.5 and 3.2.2 currently refer to repayment in monthly installments equal to one-tenth of the bill. The text has been revised to clarify that the bill refers to the “total bill.” (That is, repayment is not limited to one-tenth of pure base revenue.)

Conclusion and Notice

The Company is proposing these changes for various reasons: to increase its flexibility to accommodate applicants for steam service, provide for customers to appropriately contribute to construction costs, and make tariff clarifications.

The Company will publish notice of the proposed tariff changes on January 4, 11, 18, and 25, 2017. Copies of this filing are being sent electronically to the active party list in 13-S-0032.

Sincerely,

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

Appendix A

PSC No. 4 – Steam: List of Tariff Leaves Filed

<u>Leaf No.</u>	<u>Revision No.</u>	<u>Superseding Revision No.</u>
3	3	2
15	1	0
16	1	0
18	1	0
18.1	0	
22	1	0
44	1	0
45	1	0