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March 4, 2016

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

RE: Service Classification No. 4 – Back-up/Supplementary Service

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, which are identified below, propose changes to Service Classification No. 4 – Back-up/Supplementary Service ("SC 4") effective January 1, 2017:

Leaf No.	Revision No.	Superseding No.
96	2	1
96.1	0	
98	4	3

Background

Steam SC 4 was established as of December 8, 2000, pursuant to the Commission's Opinion and Order Adopting Terms of Settlement, issued and effective December 1, 2000, in Case 99-S-1621. In discussing the Reforming the Energy Vision proceeding (Case 14-M-0101), several parties approached the Company requesting changes to certain SC 4 provisions. In addition, on September 14, 2015, the City of New York and the Real Estate Board of New York ("NYC/REBNY") filed a Request for a Declaratory Ruling Regarding Steam Service Classification Number 4 ("Petition") with the Commission in Case 15-S-0523.[1]

The Company considered the feedback from stakeholders and planned to address SC 4 tariff issues, in conjunction with other issues, in a steam rate change filing in

[1] The Commission published notice in the New York State Register on October 21, 2015.

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January 2016, with all such changes to be effective upon the expiration of the current steam rate plan. Because the Company did not file for new steam rates to become effective January 1, 2017, it proposes changes hereunder to SC 4 that it considers appropriate to become effective January 1, 2017. These proposed changes, which take into account the issues raised by stakeholders, allow earlier consideration of SC 4 issues than would be possible if action were not taken until the Company's next steam rate filing, and the Company requests a deferral mechanism for any lost revenues.

Proposed Tariff Changes

The Company proposes to revise the SC 4 Contract Demand provisions as follows:

- Steam contract demands would be set based on the maximum potential demand at any time within the months of December through March, instead of November through April. This change is proposed in response to customer feedback that excluding November and April will avoid setting a contract demand based on possible cooling loads that might be experienced in November or April. Currently, a customer that uses air conditioning during November or April could have a higher contract demand level because of that usage. The Company notes that the proposed four-month window for setting steam contract demand is significantly smaller than the window for electric contract demand; under the electric standby rates, contract demand is set based on the maximum potential demand in any month during the year.

- Customers would be permitted to request an upward or downward revision[2] in the contract demand for prospective billing periods. Downward revisions could be requested upon the customer's demonstration, based on an engineering analysis submitted to the Company, that steam-consuming equipment is removed or abandoned in place or that permanent load-reduction measures are installed. Upward revisions may still be requested without such a demonstration. These changes will allow customers the ability to reduce their contract demand levels to align their contract demand with changes to their facility capabilities, something not currently permitted by the SC 4 tariff.

- Accounts would be subject to contract demand increases only if the monthly maximum demand exceeds the currently effective contract demand by more than two percent and only within the months of December through March.[3] This change provides the customer with a two-percent operating threshold and

[2] Currently, the SC 4 tariff only permits customers to upwardly revise their contract demand; there is no provision for a downward revision.

[3] Currently, the contract demand is ratcheted up for any and all exceedances within the months of November through April.

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is consistent with the proposed change in the contract demand measurement period.

Except for a waiver of the surcharge for the first exceedance on an account, a surcharge would apply to the portion of the maximum demand that exceeds the current contract demand level by more than two percent. The first-time waiver continues the existing exemption, *e.g.*, the surcharge does not apply to the first instance that the monthly maximum demand on an account exceeds the account's initially-set contract demand (which is the contract demand established at the Customer's initiation of service). Examples of exceedance percentages and how the surcharge would be applied are included in Appendix A.

The proposed two-percent threshold for increasing the contract demand and assessing surcharges allows customers some flexibility in meeting their load requirements and avoids demand increases for minor contract demand exceedances. Continuation of the first-time exemption allows customers the ability to avoid a surcharge on their first exceedance.

- The contract demand surcharge multiplier is proposed to be based on the number of months that the current contract demand was in effect; provided, however, that the multiplier would not be less than six nor more than 24.[4] This proposed change could result in customers paying a smaller surcharge if they exceed their revised contract demand, while still providing an incentive for customers to properly select their contract demand and manage their equipment use. For example, a customer who exceeds its contract demand a second time by more than two percent four months after the contract demand was set would pay a surcharge based on a multiplier of six instead of 12 or 24. Similarly, a customer who exceeds its contract demand for a second time by more than two percent eight months after the contract demand was set would pay a surcharge based on a multiplier of eight, not 12 or 24.

The Company is also proposing an exemption for certain customers:

- The Company proposes a change to Special Provision A of SC 4 for customers whose only other energy source is a geothermal or solar thermal technology. Those customers would be billed under the Service Classification that otherwise be applicable but for that energy source, unless they make a one-time election to be billed prospectively under SC 4. The election would be available to customers with geothermal and solar thermal technologies,

[4] The current surcharge is equal to the contract demand exceedance times the contract demand rate times a multiplier. The proposed multiplier would replace the current multiplier of 12 for contract demand exceedances of up to 10 percent and 24 for contract demand exceedances of over 10 percent.

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because these alternatives do not contribute emissions. There should be no incentive for customers to operate fossil-fuel facilities that have emissions.

Conclusion and Notice

The Company originally intended to file changes as part of a steam rate case to become effective as of January 1, 2017, at the conclusion of the term of the current steam rate plan for which rates were set for a three-year period. The Company, therefore, proposes that this filing have an effective date of January 1, 2017. The changes proposed in this filing are intended to address comments made by customers at meetings where SC 4 was discussed.

The potential revenue loss associated with the proposed changes is unknown and may not be *de minimis*. Pursuant to the terms of the current rate plan (section L.1.a), minor changes to any individual rate are permitted if the revenue effect is *de minimis* or essentially offset by associated changes in the same class or for other classes.[5] This means that any change to a rate class must be revenue neutral during the term of the steam rate plan. Establishing a deferral mechanism for any lost revenues associated with these changes will allow the Company to remain revenue-neutral for these changes.[6] As such, the Company requests approval contingent on it being permitted to defer any revenue losses associated with these changes for future recovery from customers to protect the Company against more than a *de minimis* loss of revenue.

The Company will publish notice of the proposed tariff changes on March 11, 18, and 25, and April 1, 2016. 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

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[5] Section L (p. 115) of the Joint Proposal adopted by Commission's Order Approving Electric, Gas and Steam Rate Plans in Accord with Joint Proposal, issued and effective February 21, 2014, in Cases 13-E-0030 et al.

[6] This is similar to the approach taken in Case 09-E-0428 where the parties to the Joint Proposal agreed to undertake a collaborative for standby rates. That Electric Rate Plan included language stating that if, as a result of the collaborative, changes were made to the standby rates, "[t]he Company will be permitted at the time of any such rate change to make rate adjustments to offset the revenue effect, if any, of any changes to electric standby rates being less than the amount assumed in setting rates." Case 09-E-0428, Con Edison Electric Rates, *Order Establishing Three-Year Electric Rate Plan*, Joint Proposal, pp. 56-57, March 26, 2010.

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Service Classification No. 4 – Back-up/Supplementary Service

Illustrative Examples of Contract Demand ("CD") Changes and Application of Surcharges

Scenario 1: The initial CD is set at 100 Mlb/hour.

	Exceedances/Changes In Contract Demand			
	1st 1% Above Initial CD	2nd 1.5% Above Initial CD	3rd 10% Above Initial CD	4th 9% Above Revised CD (110.00)
Maximum Monthly Demand (Mlb/hr)	101.00	101.50	110.00	119.90
Increase CD (Yes/No)	No	No	Yes	Yes
Surcharge (Yes/No)	No	No	No	Yes

Scenario 2: The initial CD is set at 100 Mlb/hour and is exceeded.

	Exceedances/Changes In Contract Demand			
	1st 1% Above Initial CD	2nd 3% Above Initial CD	3rd 1% Above Revised CD (103.00)	4th 2.5% Above Revised CD
Maximum Monthly Demand (Mlb/hr)	101.00	103.00	104.03	105.58
Increase CD (Yes/No)	No	Yes	No	Yes
Surcharge (Yes/No)	No	No	No	Yes

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Scenario 3: The Customer lowers the initially- set CD of 110 Mlb/hour.

	Exceedances/Changes In Contract Demand			
	1st Customer Lowers CD	2nd 1% Above Revised CD (100.00)	3rd 1.5% Above Revised CD	4th 3% Above Revised CD
Maximum Monthly Demand (Mlb/hr)	100.00	101.00	101.50	103.00
Increase CD (Yes/No)	N/A	No	No	Yes
Surcharge (Yes/No)	No	No	No	Yes

Scenario 4: The initial CD is set at 100 Mlb/hour and is exceeded.

	Exceedances/Changes In Contract Demand			
	1st 3% Above Initial CD	2nd 10% Above Revised CD (103.00)	3rd 1% Above Revised CD (113.30)	4th 1.5% Above Revised CD
Maximum Monthly Demand (Mlb/hr)	103.00	113.30	114.43	115.00
Increase CD (Yes/No)	Yes	Yes	No	No
Surcharge (Yes/No)	No	Yes	No	No