Consolidated Edison Company of New York, Inc

Gas Supply Testimony of Peter Carnavos

Index of Exhibits and White Papers

Exhibit__(PTC-2)

- Part 1 IGS Project One Changes - White Paper
- Part 2 IGS Phase 3 Enhancements- White Paper

Project/Program Title	**IGS Project One Changes**
Project Manager	Todd Ichihara
Estimated Service Date	January 2014
Work Plan Category	Regulatory

Work Description:
This mandatory project includes two major components. The first component implements enhancements to IGS that will take advantage of new business processes introduced with the recent implementation of Oracle' EBS system, known at Con Edison as Project One. The project will review existing business processes and seek improvements in the Gas Supply business process and implement corresponding system enhancements. At present, it is anticipated that significant changes are required to IGS to change from the current process of using Purchase Orders (POs) throughout the system, to an alternative approach.

The second component implements mandatory technology upgrades to the existing IGS Web Services that implement interfaces between IGS and the Allegro Risk Management System, as well as between IGS and the Pricing Database System (PDS). These interfaces require remediation to replace deprecated technologies.

With the recent implementation of EBS at Con Edison, there are a number of known and anticipated changes required in IGS to do business in a safe, secure, correct, and SOX and audit compliant manner.

This project will require a significant effort of resources from IR, and Gas Supply to review the impact of Project One on the existing Gas Supply business requirements, as well as working with other areas of Energy Management to upgrade the PDS and Allegro interfaces..

Justification:

- Energy Management's Gas Supply Department process approximately $1 billion in wholesale gas transactions, and requires a supportable software platform to track and schedule energy transactions, as well as perform proper risk oversight functions.
- The Gas Supply business requires changes as the current PO process has changed with implementation of Project One.
- Energy Management and Energy Risk Management are frequent areas of audits, and require strict compliance with SOX controls, and audit capabilities.
- Deprecated technologies must be replaced on a timeline dictated by the technology vendors. In this case Visual Studio 2003, which is used by the IGS interfaces will end Extended Support from Microsoft in August 2013. After then, the software is at risk of becoming unusable for security exposure reasons, and non-maintainable due to lack of vendor support.

- **Alternatives:**.
- **Risk of No Action:** The risk of no action would be a possible disruption to the PO based Gas Purchasing process, or lack of proper controls by implementing processes outside of the IGS system. In addition, if the technology upgrade is not performed, there is a risk of these interfaces becoming unusable for security exposure reasons, and non-maintainable due to lack of vendor support. If the interfaces are not used, manual entry of data would be required, with a reduction in system controls and increase in human data entry errors.

- **Summary of Financial Benefits and Costs:** The financial benefits of this project are in increased controls, SOX compliant business processes, and continued ability to support regulatory requirements by using a vendor supported software platform.
- **Technical Evaluation/Analysis:** N/A
- **Sensitivity Analysis (if applicable):** N/A
- **Project Relationships (if applicable):** N/A

Estimated Completion Date:
January 2014

Planning and Budgeting:
This capital project is expected to span the budget years of 2013 and 2014.
Beginning 2014, there is expected to be annual O&M costs to maintain the system as resources transition off the capital project to maintenance mode.

Constraints:
Implementing this project will require significant time investment for user testing and specification of requirements. In addition, other concurrent systems projects may constrain SME resources and create implementation and schedule constraints.

Status: Project has not started

- Current Working Estimate (if applicable): This estimate is based upon the anticipated need for one employee and one contractor for a 12 month project.

Capital

Funding: ($000s)

Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Approved 2012
-	-	-		-	-

Forecast 2013	Forecast 2014	Forecast 2015	Forecast 2016	Forecast 2017	Forecast/Approved Total 2013-2017
490	-	-	-	-	490

O&M

Funding: ($000s)

Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Approved 2012
$	$	$	$	$	$

Forecast RYE 2014	Forecast RYE 2015	Forecast RYE 2016	Forecast RYE 2017	Forecast RYE 2018	Forecast Total 2014-2017
125	178	188	199	211	900

- Authorization – This project has been authorized under budget reference number 20227277. Authorization for 2013/2014 was 490K.
- Appropriation – This project has been appropriated for $490K. under budget reference number 20227277.

Project/Program Title	**IGS Phase 3 Enhancements –**
Project Manager	Todd Ichihara
Estimated Service Date	January 2014
Work Plan Category	Regulatory

Work Description:

This project expands the functionality of the Integrated Gas Supply System (IGS). The enhancements seek to add functionality and reporting to improve accuracy of transaction information, provide better decision support displays and reports for economic purchases of wholesale gas. In addition, this project seeks to capitalize on the wealth of gas portfolio information available in IGS and use such information as a portfolio planning tool.

The two major components of this project are:

I - New Enhancements:

1) Automate updating Demand, Variable, and Fuel rates in IGS
    - Enhance IGS to update and capture the latest Demand, Variable, and Fuel rates at the same time and differentiate between Pending VS. Currently Effective Rates

2) Provide ability to enter more transaction information for a Pool buy/sell
    - Enhance IGS to be able to capture all aspects of a Pool Buy/ Sell to reflect transaction such as Parking Services

II - New Reports:

3) Develop a Daily IGS Report that summarizes by pipeline, the volume scheduled on each contract vs. total utilized capacity.
    - Add a report which able to provide a snapshot of all volume schedule on each pipeline by day, by contract, while at the same time totaling the capacity utilized. This will help determine the available open capacity on each pipeline by contract which faciliatate the process of daily / month/ term capacity releases

4) Develop a dashboard facility, that can be printed every day – which has relevant information for use at the Gas Supply morning meeting – including pricing, temperature, and demand
    - This report should be similar to the Day-a-head which is updated daily before the morning meeting that consist of volume by pipe by supplier vs temperature and demand.

5) Develop a Gas Price for Electric Report
    - This report will provide Gas Prices to Electric and determine the best estimated price that associate to electric purchasing from the daily supplies purchased for Steam Operations

6) Develop a Dynamic & Flexible Storage Report (up-to-date) which has the ability to account for Asset Management Arrangement volumes

    - A Storage Report which can track inventory volume at any given time and has the ability to examine inventory level with & without Asset Management Arrangement volumes at a variable

This project will require a significant effort of resources from IR and Gas Supply to develop detailed business requirements and thoroughly test the implemented solution.

Justification:

- Energy Management's Gas Supply Department process approximately $1 billion in wholesale gas transactions, and requires a supportable software platform to track and schedule energy transactions, as well as perform proper risk oversight functions.
- The Gas Supply business changes frequently and requires a flexible platform to accommodate new business opportunities.
- Additional Portfolio planning tools will facilitate more accurate and economic gas purchasing decisions.
- Energy Management is a frequent area of audits, and require strict compliance with SOX controls, and audit capabilities.
- Automation of pipeline rate updates increases the accuracy of information and controls, reduces the risks associated with data entry errors for high-dollar values.

- **Alternatives:** Continue with manual processes.
- **Risk of No Action:** The risk of no action would be a possible sub-optimal portfolio planning approach, and increases the risks associated with inaccuracies due to manual data entry errors.
- **Summary of Financial Benefits and Costs:** The financial benefits of this project are in improved portfolio planning and strategy capabilities, and enhanced functionality of automating manual processes.
- **Technical Evaluation/Analysis:** N/A
- **Sensitivity Analysis (if applicable):** N/A
- **Project Relationships (if applicable):** N/A.

Estimated Completion Date:
January 2014

Planning and Budgeting:
This capital project is expected to span the budget years of 2013 and 2014.
Beginning 2014, there is expected to be annual O&M costs to maintain the system as resources transition off the capital project to maintenance mode.

Constraints:
Modifications to other systems and projects may constrain SME resources and create implementation and schedule constraints.

Status: Project has not started

- Current Working Estimate (if applicable): This estimate is based upon the anticipated need for employees, contractors, and vendor effort for a 10 month project.

Capital

Funding: ($000s)

Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Approved 2012
-	-	-		-	-

Forecast 2013	Forecast 2014	Forecast 2015	Forecast 2016	Forecast 2017	Forecast/Approved Total 2013-2017
410	-	-	-	-	410

O&M

Funding: ($000s)

Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Approved 2012
$	$	$	$	$	$

Forecast RYE 2014	Forecast RYE 2015	Forecast RYE 2016	Forecast RYE 2017	Forecast RYE 2018	Forecast Total 2014-2017
125	178	188	199	211	900

- Authorization – This project has been authorized under budget reference number 20227340. Authorization for 2013/2014 was 410K.
- Appropriation – This project has been appropriated for $410K. under budget reference number 20227340.