STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Proceeding on Motion of the Commission to Examine Policies Regarding the Expansion of Natural Gas Service	Case 12-G-0297

COMMENTS AND RESPONSES BY
CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. and
ORANGE AND ROCKLAND UTILITIES, INC.

Consolidated Edison Company of New York, Inc. ("Con Edison") and Orange and Rockland Utilities, Inc. ("O&R") (together, the "Companies") hereby respond to Staff's Proposal for Commission Clarification of 16 NYCRR §230.2 ("Proposal"), filed with the Commission in Case 12-G-0297 on June 5, 2013. The Proposal by Staff relates to various aspects of how utilities provide natural gas main and service extensions to heating and non-heating customers.

COMMENTS AND RESPONSES

1. Staff Proposal that customers receive, at a minimum, 100 feet without cost

Staff proposes that utilities should be required to clarify in their tariffs that 100 feet of main is the "minimum entitlement" for new natural gas customers. Staff's proposal is not, in the Companies' view, a clarification of the Companies' tariffs, but would constitute a change that would be better implemented by a proposed modification to the Commission's Part 230 regulations.

However, as explained herein, this clarification should have no substantive impact. The language contained in 16 NYCRR §230.2(d) (for residential gas heating customers) states: "…The cost and expense which the corporation must bear shall include: (1) the material and installation costs relating to **up to** 100 feet of main …" (emphasis added). From this language, it is clear that 100 feet of main is the maximum amount of main that must be provided to a residential gas heating customer at no charge, not the minimum amount. Similar language, in 16 NYCRR §230.2(c) applying to residential non-heating customers and in 16 NYCRR §230.2(e) applying to non-residential, firm non-dual-fuel customers, show that for these customers as well, 100 feet of main is the maximum to be provided for which the utility bears the costs, not the minimum. Additionally, 16 NYCRR §230.2(a) allows a utility to ask for relief from the requirement to provide up to 100 feet of main at no cost if the actual cost per foot of a particular installation is greater than two times the corporation's average cost in the previous year which, if granted, would allow the utility to set a maximum length for which the utility will bear the costs to less than 100 feet, allowing the utility to levy a surcharge to the customer for any additional main. Therefore, the plain meaning of the regulation is that 100 feet is the maximum entitlement.

The Companies recognize that §230.2(f) allows utilities, in their tariffs, to specify circumstances in which the utility will provide additional facilities without cost if economically justified. The "revenue test" contained in the Companies' tariffs provides footage in excess of the allowance currently in the regulations when cost-justified. These provisions protect other firm customers from having to bear the costs for new applicants for service. Therefore, the Company proposes tariff amendments that add a provision making it clear that a customer may receive main and/or service that is in excess of 100 feet if they meet the revenue test.

2. Aggregation of Concurrent Applications for Service along the same main

Staff's second proposal is that 16 NYCRR §230.2 requires utilities to allow the aggregation of 100 foot main extensions for customers seeking service concurrently, as long as the total required main extension is not greater than the total number of customers filing concurrently multiplied by 100 feet. The Companies do not oppose the proposed aggregation, provided it is limited to concurrent applicants for service along the same main. However, the Companies do not agree that this concept is already embedded in the regulations. As discussed in detail above, the regulations very clearly entitle customers to **up to** 100 feet. Therefore, the Companies believe that the Commission should modify its regulations to accommodate such an interpretation.

The Companies' Responses to the Questions in Staff's Proposal

The Proposal sets forth eight questions (identified as (a) through (h)); the Companies respond to each question below.

a) In instances where residential non-heating applicants are involved, what concerns do the LDCs have regarding providing 100 feet of main to each applicant?

Utilities are currently obligated to provide up to 100 feet of any combination of main plus service line, but not less than 100 feet of main plus service footage sufficient to reach the edge of the public right away for both heating and non-heating customers. Because non-heating customers may have relatively low revenue contributions, there remains a concern that providing service to non-heating customers without an appropriate contribution to the cost of the new facilities is more likely to result in an insufficient revenue contribution as compared to the incremental system costs.

b) Are there instances where there are significant numbers of residential non-heating customers within proximity to each other but are not in multifamily buildings?

In its response to questions posed by DPS Staff to all the utilities on February 2, 2012 regarding potential gas customers, Con Edison identified 2,702 customers in 1-4 family buildings that take gas for uses other than heating. In its response to the same DPS Staff inquiry, O&R identified 3,750 residential customers using gas for non-heating purposes. Neither Con Edison nor O&R are aware of significant concentrations of such customers in their service territories

c) Under what circumstances is providing an additional length of main without cost to the customer warranted?

i. Applicant commits to service for an agreed upon term?

ii. Applicant applies for service prior to construction of main extension project or other "open season" type time period?

iii. Utility is able to lower construction costs of main extension and service hook-ups due to coordination with municipal or other construction projects?

iv. Can other circumstances be identified where an additional length of main can be provided consistent with the best interests of customers?

The Companies believe that additional lengths of main beyond the customer's entitlement is warranted only when cost justified by the revenue test in the Companies' Gas Tariffs. For Con

Edison, if approved in Case 13-G-0156, additional cost justification could be determined in accordance with its Area Growth Program, which may be similar to Staff's reference in ii. to an "open season" type time period. The Companies do not believe that a customer commitment to service for an agreed upon term (item i. above) can be effectively enforced if the customer decides to discontinue gas delivery service. Therefore, such a commitment should not be used to justify installation of additional length of main by the utility at no cost, unless the Commission was to consider instituting an exit fee for customers that were willing to commit to a term and minimum charge in order to make the revenue test workable. Items ii. and iii. above are likely to lower the cost of installation, which generally will make it easier for such customers to meet the revenue test.

d) For each natural gas utility service territory and for each of the last ten years, what is the average length of main provided to new residential and small commercial customers? If it is less than 100 feet, how could the unused allowance be "banked" for the benefit of customers who may need more than 100 feet of main to connect to the natural gas distribution system?

Data on the average length of main by year is not available. For Con Edison, the average length of main provided to all new gas customers is approximately 21.7 feet. This average includes the many customers that do not require any main at all for gas service.

The Companies strongly oppose any "banking" policy for a variety of reasons. The concept is new, untested and raises many concerns, as discussed below. Utilities' new construction capital budgets are typically predicated on historic patterns of construction and historic rates of new customer conversions and typical construction costs. For example, in 2012, Con Edison converted approximately 2,500 customers to heating, and installed approximately 50,000 feet of main for these customers. Many of these customers were located in areas where no main extension was required, only a new service. If banking of "unused allowances" were in effect, in 2012, based on the Companies' understanding of Staff's proposal, Con Edison could have 200,000 feet of main which could be "banked" and used to attach customers at no cost. Given current per-foot construction costs, installing this main would cost between $80 million and $300 million annually, which would need to be recovered from all of the Company's customers.

Additionally, Staff's proposal is open-ended in terms of establishing a reasonable means to select the 'recipients' of the additional main, establishing a limit to the amount of main that can be banked in a given year to protect existing customers, and establishing a limit to the additional main that can be used to attach a single applicant. These aspects of a banking program make it very difficult to implement in a non-discriminatory manner. It is also unclear whether the banking would apply to the length of unused main or the estimated value of that unused main (an important distinction for utilities whose construction costs can vary substantially in different parts of their service territory). There is also a concern that any excess footage for a customer could be viewed as an 'entitlement' for applicants to request a rebate of the cost of the unused main. Lastly, administration of any banking program would be extremely problematic and burdensome because the Companies would need to establish processes for tracking, managing and allocating the unused footage entitlements. The administrative burden and associated cost would require new resource allocation within each utility. For these reasons, the Companies strongly oppose any banking concept.

e) What is the appropriate time period for considering the impact of future customer attachments, existing customer load growth, and other variables on the economics of a main extension project?

The Companies' ability to rely on the impact of future customer attachments when evaluating a main extension project is fact-sensitive. The Companies cannot rely on speculative future growth when applicants request gas service. The Companies must evaluate the economics of a main extension project based on that utility's system assets, location of its infrastructure, cost of construction and estimation of likely revenues. If a time period for analysis of the economics of a main extension project is imposed on a utility, without an applicant's commitment to connect and utilize natural gas, existing customers are exposed to the risk of paying for capital investments without receiving the offsetting benefit of anticipated revenues should the expected future load growth not be realized. The Companies note that "advance of need" payments made in accordance with the Gas Tariffs allows both current and future applicants to get the benefit of moving forward at the same time, while also providing protection to the existing firm customers in the event that the future applicant fails to take gas service. Therefore, the Companies believe that it is appropriate to consider only the impacts of applicants that are taking gas service concurrently along the same main extension, and that utilities not be forced to consider unclear or unknown future load growth along a main where an applicant(s) are ready to move forward.

f) Are there different or additional appurtenant facilities required when high-demand natural gas appliances are installed in a residence? If so, what are their costs in a typical residential installation, over and above the more traditional new service installation? Are there other factors related to high-demand natural gas appliances that increase the cost of *installing a service line for a new residential customer? Is there a standard size of a residential gas service line? If so, what is it? Is there a standard pipe material for residential service lines? Is so, what is it?*

The diameter and length of the service line is dependent on the customer's proximity to the gas main, gas demand for the requested equipment, and gas system pressure. For the past several years, Con Edison's average service length is roughly 41' in length. Typically, the Companies install plastic gas services, assuming the residential customer is not in close proximity to steam infrastructure, which requires steel to be installed. Typically, for Con Edison, the diameter of the plastic gas service is as follows: on our low pressure system, 2 inches in diameter; on the medium pressure gas system, 1.25 inches; and for high pressure service, 1 inch in diameter. For O&R, the standard residential gas service line is 3/4 inch plastic pipe. For very long gas services, depending on the anticipated load, 1- 1/4 inch plastic pipe may be used.

Regarding high demand residential gas services, some variables that could cause a service to be a high demand service include: a customer request for a back-up generator equivalent to their full gas demand to heat, cook and provide hot water, or pool heaters. Typically, there is not an increase in cost associated with installing a service line for a new residential customer that has high-demand natural gas appliances. Generally, the only incremental cost incurred may be the cost of the larger size meter, which is negligible.

g) Are new service lines to small and medium-sized commercial customers standardized? If so, please provide the standard pipe size and composition.

All the Companies' gas mains and services are installed per Con Edison and O&R specifications, which are in compliance with industry standards. Unlike new services to residential customers, which are fairly standard in terms of equipment usage, new service lines to small and medium-sized commercial customers are fact-sensitive and dependent on a variety of factors, including the applicants gas load and length of service line. Therefore, there is no broad standard that can be relied on.

h) Under what circumstances should natural gas utilities provide, or continue to provide, financial assistance to customers for the purchase of gas fired heating equipment to replace existing oil fired equipment?

The Companies believe that it is appropriate for the Commission to approve a modest marketing budget to provide potential customers incentives to convert to natural gas heat, including funds that are dedicated to buying-down the cost of gas-fired heating equipment. In addition to funding rebates for equipment to customers, the budget should include funding for personnel to perform basic marketing functions such as marketing to customers, tracking and following-up with potential customers, advertising the benefits of converting to natural gas, and related support costs (such as IT systems and costs for attending consumer trade shows). Such a marketing budget can cost-effectively increase the number of customers converting to natural gas without creating upward pressure on rates. This can be accomplished by connecting customers that meet the revenue test, as well as connecting a variety of customers of all sizes that qualify within the 100 foot rule so that the fixed costs of the gas distribution system can be allocated more widely.

i) LDCs should provide proposed tariff language that would implement numbers 1 and 2 above, and provide a redline of their current tariff leaves that would be affected by this clarification.

Draft Con Edison tariff leaves are attached as Attachment 1 and draft O&R tariff leaves are attached as Attachment 2.

Respectfully submitted,

Consolidated Edison Company of
New York, Inc.

Orange & Rockland Utilities, Inc.

By: Kerri Kirschbaum
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Attachment 1

Draft Con Edison Leaves

GENERAL INFORMATION - Continued

III. General Rules, Regulations, Terms and Conditions under Which Gas Service Will Be Supplied, Applicable to and Made a Part of All Agreements for Gas Service - Continued

3. Installation of Mains and Services - Continued

(B) Company Cost Responsibilities - Continued

(3) Residential Applicant - Heating - Continued

(b) up to 100 feet of service line measured from the centerline of the public right-of-way (or the main if it is closer to the Customer and development will be limited to one side of the right-of-way for at least 10 years), service connections and appurtenant facilities; but not less than the length of service line necessary to reach the edge of the public right-of-way;

(4) Non-Residential Applicant:

If an applicant which will be a firm, non dual-fuel Customer requests service other than residential service, the material and installation costs relating to:

(a) up to 100 feet of main and appurtenant facilities; and

(b) any service line, service connections and appurtenant facilities located in the public right-of-way;

(5) Concurrent Residential and/or Non-Residential Non-Dual Fuel Firm Applicants:

If two or more non-dual fuel firm residential and/or non-residential applicants request service to be installed concurrently along the same main extension, the material and installation costs relating to 100 feet of main multiplied by the number of applicants, up to the total length of the main extension for all applicants.

(~~5~~6) Firm Dual-Fuel Applicant:

The material and installation costs relating to any main reinforcements and appurtenant facilities, except as discussed in Section III.3. (C) (2) below.

(General Information - Continued on Leaf No. 32)

GENERAL INFORMATION - Continued

III. General Rules, Regulations, Terms and Conditions under Which Gas Service Will Be Supplied, Applicable to and Made a Part of All Agreements for Gas Service - Continued

3. Installation of Mains and Services - Continued

(B) Company Cost Responsibilities - Continued

(~~6~~7) If due to unusual circumstances the actual cost per foot of a particular installation is greater than two times the Company's average cost per foot of new installations for service for the twelve months ended September 30 of the previous year, it may apply to the Commission for relief from so much of General Rule III. 3. (B) as it deems necessary in order to provide the service.

(8) The Company may bear costs for additional main footage in accordance with General Information Section No. III.3. (C) (1) (f).

(C) Charges for Additional Facilities:

(1) If, in order to provide service to an applicant, the Company must install mains and appurtenant facilities in addition to those required to be provided without charge under General Rule III. 3. (B), the Company shall impose a surcharge subject to the following provisions:

(a) the surcharge relating to mains and appurtenant facilities including return, depreciation, taxes and maintenance shall not exceed 20 percent per year of the actual reasonable cost of such facilities that exceeds the portion which the Company is required to install without charge to an applicant, if the Company lays a main of 4 inches or less in nominal diameter (in the case of low pressure distribution), or of 2 inches or less in nominal diameter (in the case of high pressure distribution). If the Company lays a main greater than 4 inches in nominal diameter (in the case of low pressure distribution) or greater than 2 inches in nominal diameter (in the case of high pressure distribution), the

(General Information - Continued on Leaf No. 33)

Attachment 2

Draft Orange and Rockland Leaves

GENERAL INFORMATION

3. HOW TO OBTAIN SERVICE (Cont'd.)

3.7 PROVISIONS OF GAS SERVICE (Cont'd.)

(B) Residential Applicant - - Heating

up to 100 feet of main and appurtenant facilities, and up to 100 feet of service line measured from the centerline of the public right-of-way (or the main if it is closer to the customer and development will be limited to one side of the right-of-way for at least 10 years), service connections and appurtenant facilities, but not less than the length of service line necessary to reach the edge of the public right-of-way; and

(C) Non-Residential Applicant

up to 100 feet of main and appurtenant facilities, and any service line, service connections and appurtenant facilities located in the public right-of-way.

The Company will extend its facilities and provide service to non-residential customers who have installed dual fuel capability when:

(1) customer has paid to the Company the total estimated cost of all new facilities required to provide service; and

(2) customer agrees to pay to the Company any actual costs above such estimated costs (Company agrees to refund to customer the difference between actual costs and estimated costs when actual costs are lower); or

(3) customer makes other arrangements satisfactory to the Company to guarantee that the Company's investment in new facilities will be recovered, including return, depreciation, taxes and maintenance, and such arrangements are acceptable and approved by the Commission.

(D) Concurrent Residential and/or Non-Residential Non-Dual Fuel Firm Applicants

100 feet of main multiplied by the number of applicants, up to the total length of the main extension for all applicants if two or more non-dual firm residential and/or non-residential applicants request service to be installed concurrently along the same main extension.

GENERAL INFORMATION

3. HOW TO OBTAIN SERVICE (Cont'd.)

3.7 PROVISIONS OF GAS SERVICE (Cont'd.)

(E) The Company may bear costs for additional main footage in accordance with General Information Section No. 3.8 (A)(6).

3.8 CHARGES FOR ADDITIONAL FACILITIES

(A) Surcharge for Additional Facilities

If, in order to provide service to an applicant, the Company must install mains and appurtenant facilities in addition to those to be provided without charge, as provided for above, the Company shall impose a surcharge subject to the following provisions: