



Orange and Rockland Utilities, Inc.  
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www.oru.com

March 4, 2019

Honorable Kathleen H. Burgess  
Secretary to the Commission  
State of New York  
Public Service Commission  
Three Empire State Plaza  
Albany, New York 12223

Dear Secretary Burgess:

Orange and Rockland Utilities, Inc. ("O&R" or the "Company") is filing with the Public Service Commission (the "Commission") amendments to its Schedule for Gas Service, P.S.C. No. 4 – GAS (the "Tariff").

The revised Tariff leaves, which are identified below, are filed to become effective on July 1, 2019:

21st	Revised Leaf No.	73
3rd	Revised Leaf No.	73.1
11th	Revised Leaf No.	74
	Original Leaf No.	74.1
5th	Revised Leaf No.	80.3.1

#### **Reasons for Proposed Tariff Modifications**

Consolidated Edison Company of New York, Inc. ("Con Edison") is making a filing today with the Commission regarding approval for recovery of certain costs associated with trucked and stored compressed natural gas ("CNG") and liquefied natural gas ("LNG") that are not covered by the definitions of gas costs in the Gas Cost Factor ("GCF") and Daily Delivery Service ("DDS") provisions of Con Edison's Schedule for Gas Service – P.S.C. No. 9 – Gas.<sup>1</sup>

Pursuant to the Settlement Agreement adopted by the Commission in its *Order Authorizing Merger*, issued and effective April 2, 1999 and Confirming Order, issued and effective April 14, 1999 in Case No. 98-M-0961, gas is purchased for both Con Edison and O&R under a common supply arrangement whereby gas and services for both companies are purchased in a manner that minimizes the total cost. Given Con Edison's filing and Con Edison's and O&R's common supply arrangement, if the Commission approves Con Edison's proposed amendments to its GCF and DDS mechanisms, O&R will need similar approval to make comparable changes to its gas tariff provisions regarding trucked and stored CNG and LNG costs. Therefore, O&R is filing today to amend its definitions of fixed and variable gas costs contained in the Balancing Charge component of the Monthly Gas Adjustment ("MGA") and the Gas Supply Charge ("GSC") with respect to fixed and variable costs for trucked and stored CNG and LNG.

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<sup>1</sup> Con Edison's filing made today sets forth the rationale behind the request for the recovery of these costs.

### **Summary of Proposed Tariff Changes**

The following is a summary of the Company's proposed changes to the Tariff.

- General Information Section No. 12.1 has been amended to: (1) clarify that fixed costs associated with trucked and stored CNG and LNG are recoverable through the Fixed Gas Cost component of the GSC; (2) allow the recovery of development costs associated with trucked and stored CNG and LNG projects, including abandoned projects, through the Fixed Gas Cost component of the GSC; and (3) clarify that gas commodity costs associated with trucked and stored CNG and LNG are recoverable through the Variable Gas Cost component of the GSC.
- General Information Section No. 12.2(l) has been amended to: (1) clarify that fixed costs associated with trucked and stored CNG and LNG are recoverable through the Balancing Charge component of the MGA; and (2) allow the recovery of development costs associated with trucked and stored CNG and LNG projects, including for abandoned projects, through the Balancing Charge component of the MGA.

### **Conclusion and Notice**

The Company will provide for public notice of the tariff changes proposed in this filing by means of newspaper publication once a week for four consecutive weeks prior to the effective date. Enclosed is a proposed form of Notice of Proposed Rule-Making for publication in the State Register pursuant to the State Administrative Procedure Act.

Any questions regarding this filing can be directed to Cheryl Ruggiero at (212) 460-3189.

Very truly yours,

/s/

William A. Atzl, Jr.  
Director – Rate Engineering

**GENERAL INFORMATION**

12. ADJUSTMENT OF RATES IN ACCORDANCE WITH CHANGES IN THE COST OF GAS  
(Cont'd.)

12.1 GAS SUPPLY CHARGE (Cont'd.)

(C) Average Cost of Gas (Cont'd.)

(1) Fixed Cost

Fixed gas costs include pipeline demand charges, capacity costs associated with Mandatory Capacity Release Service under Service Classification No. 11, supplier gas inventory charges, storage demand charges, fixed charges for trucked and stored compressed natural gas ("CNG"), fixed charges for trucked and stored liquefied natural gas ("LNG"), development costs for CNG and LNG projects, including abandoned projects (e.g., permitting costs; feasibility, engineering and/or operational studies costs; interconnection costs; long lead time equipment purchasing costs; and property acquisition costs), and any similar charges that do not vary with the volume of gas purchased except for balancing costs as described in General Information Section No. 12.2(I).

The fixed gas cost of the Companies associated with pipeline capacity, storage capacity, and purchased gas contract entitlements, except costs associated with balancing service, shall be allocated to each company using fixed percentages. The fixed percentages are based on ratios of each Company's forecasted winter peak day capacity requirement to the total forecasted peak day capacity requirement of the Companies. The fixed percentages shall be revised at least annually to become effective each November 1. The Company shall be permitted to make interim revisions to the fixed percentages, if necessary, to reflect a significant shift in peak day capacity requirements between the Companies. The Company shall advise Commission Staff on or before October 1 of each year of any changes to the fixed percentages to be implemented the following November 1.

The Company's apportioned share of fixed costs, determined in the manner set forth above, shall then be reduced by annual estimates of the revenues, fees and charges set forth below and then divided by the forecast quantities of gas to be

PSC NO. 4 GAS  
ORANGE AND ROCKLAND UTILITIES, INC.  
INITIAL EFFECTIVE DATE: July 1, 2019

LEAF: 73.1  
REVISION: 3  
SUPERSEDING REVISION: 1

**GENERAL INFORMATION**

12.1 GAS SUPPLY CHARGE (Cont'd.)

(C) Average Cost of Gas (Cont'd.)

(1) Fixed Cost (Cont'd.)

taken for delivery to the Company's firm sales customers for the 12 calendar months ending the following August 31:

- (a) Revenues from off-system sales, less any associated gas costs;
- (b) Capacity related revenues associated with Service Classification No. 9;
- (c) Transition Surcharge revenues; and
- (d) Revenues associated with the Capacity Release Service Adjustment assessed under General Information Section No. 12.2(F).

Issued By: Robert Sanchez, President, Pearl River, New York  
(Name of Officer, Title, Address)

**GENERAL INFORMATION**

12. ADJUSTMENT OF RATES IN ACCORDANCE WITH CHANGES IN THE COST OF GAS  
(Cont'd.)

12.1 GAS SUPPLY CHARGE (Cont'd.)

(C) Average Cost of Gas (Cont'd.)

(2) Variable Cost

Variable gas costs include purchased gas cost, storage gas cost, alternate gas supplies, e.g., liquefied natural gas from the facility owned by Consolidated Edison Company of New York, liquefied propane gas, trucked and stored CNG, trucked and stored LNG, and propane-air, variable transportation costs, applicable surcharges and taxes, the commodity cost of gas associated with bundled purchases made by the Company including bundled purchases associated with Service Classification No, 11, and the costs associated with risk management programs.

The variable cost of the Companies shall be determined by:

- (i) applying the variable rates and charges of the transporters, storage and peaking providers, and suppliers to the billing determinates associated with transportation, storage and peaking, bundled purchases, and gas supply for the forecasted weather normalized quantities of gas to be taken for delivery to the Companies' firm sales customers during the month in which the gas supply charge will be in effect, adjusted further for the costs associated with risk management programs; and
- (ii) applying the average unit cost of gas in storage at the date of computation to the quantities of gas estimated to be withdrawn from storage for the Companies' firm sales customers during the month in which the gas supply charge will be in effect.

PSC NO. 4 GAS  
ORANGE AND ROCKLAND UTILITIES, INC.  
INITIAL EFFECTIVE DATE: July 1, 2019

LEAF: 74.1  
REVISION: 0  
SUPERSEDING REVISION:

**GENERAL INFORMATION**

12. ADJUSTMENT OF RATES IN ACCORDANCE WITH CHANGES IN THE COST OF GAS  
(Cont'd.)

12.1 GAS SUPPLY CHARGE (Cont'd.)

(C) Average Cost of Gas (Cont'd.)

(2) Variable Cost (Cont'd.)

The variable cost shall be allocated between the companies in proportion to their respective monthly firm sales sendout quantities.

The Company's share of the variable cost shall be adjusted as follows:

- (a) The Company's share of the variable cost shall be reduced by all gas costs recovered via the rates and charges for service under Service Classification No. 9 of this Schedule.

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**GENERAL INFORMATION**

12. ADJUSTMENT OF RATES IN ACCORDANCE WITH CHANGES IN THE COST OF GAS (Cont'd.)

12.2 MONTHLY GAS ADJUSTMENT (Cont'd.)

(H) Temporary Surcharge (applicable to Service Classification Nos. 1, 2 and 6)

Customers shall be assessed a Temporary Surcharge to recover a portion of the Company's Rate Year 3 delivery revenue requirement as adopted by the Commission in Case No. 14-G-0494. The Temporary Surcharge shall be designed to recover \$10.620 million (\$10.409 million net of revenue taxes) and shall be assessed for service rendered from November 1, 2017 through October 31, 2018.

(I) Balancing Charge (applicable to Service Classification Nos. 1, 2 and 6)

Customers shall be subject to a charge, stated on a cents per Ccf basis and shown separately on the Statement of Monthly Gas Adjustments, to recover balancing costs.

Gas is purchased under a common supply arrangement for both Consolidated Edison Company of New York and Orange and Rockland Utilities ("Companies") as described in General Information Section No. 12.1(C). Balancing ("load following") costs shall be equal to the sum of the Companies' annualized fixed storage charges, fixed pipeline transportation charges from storage to the pipeline delivery point(s) at the boundary of the Companies' service territories, fixed charges for trucked and stored CNG, fixed charges for trucked and stored LNG, development costs for CNG and LNG projects, including abandoned projects (e.g., permitting costs; feasibility, engineering and/or operational studies costs; interconnection costs; long lead time equipment purchasing costs; and property acquisition costs) utilized for balancing purposes.

The balancing cost shall be allocated to each company using fixed percentages. The fixed percentages are based on ratios of each Company's forecasted balancing requirement to the total forecasted balancing requirement of the Companies. The fixed percentages shall be revised at least annually to become effective each November 1. The Company shall be permitted to make interim revisions to the fixed percentages, if necessary, to reflect a significant shift in balancing requirements between the Companies. The Company shall advise Commission Staff on or before October 1 of each year of any changes to the fixed percentages to be implemented the following November 1.

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(Name of Officer, Title, Address)

**PROPOSED RULEMAKING  
NO HEARING(S) SCHEDULED**

**Tariff Filing by Orange and Rockland Utilities, Inc.**

**I.D. No. PSC-4**

PURSUANT TO THE PROVISIONS of the State Administrative Procedure Act, NOTICE is hereby given of the following proposed rule:

**Proposed action:** The Public Service Commission (“PSC”) is considering whether to approve or reject, in whole or in part, a tariff filing by Orange and Rockland Utilities, Inc. (“O&R” or the “Company”) proposing to revise its tariff, Schedule for Gas Service, P.S.C. No. 4 – GAS, to become effective July 1, 2019.

**Statutory authority:** Public Service Law Sections 65 and 66

**Subject:** The Company proposes to modify its Gas Cost Factor and Balancing Service Program provisions.

**Purpose:** To modify the provisions in the Gas Supply Charge and Balancing Service Program regarding the recovery of certain costs associated with trucked and stored CNG and LNG.

**Substance of the proposed rule:** To expand the recovery of certain costs associated with trucked and stored CNG and LNG through the Company’s Gas Supply Charge and Balancing Service Program.

**Text of proposed rule and any required statements and analyses may be obtained by filing a Document Request Form (F-96) located on our website <http://www.dps.ny.gov>.**

**For questions, contact:** Elaine Agresta, Public Service Commission, 3 Empire State Plaza, Albany, New York 12223-1350, (518) 486-2660, email: Elaine.Agresta@dps.ny.gov.

**Data views or arguments may be submitted to:** Kathleen H. Burgess, Public Service Commission, Bldg. 3, Empire State Plaza, Albany, NY 12223-1350, (518) 474-6530.

**Public Comment will be received until:** 45 days after the publication of this notice.

**Regulatory Impact Statement, Regulatory Flexibility Analysis, Rural Area Flexibility Analysis and Job Impact Statement**

Statements and analysis are not submitted with this notice because the proposed rule is within the definition contained in section 102(2)(a)(ii) of the State Administrative Procedure Act.