

SECTION IV. GAS DELIVERY MANAGEMENT PROCEDURES FOR INTERRUPTIBLE AND OFF-PEAK FIRM CUSTOMERS – SALES AND TRANSPORTATION

A. Customer Eligibility/Enrollment Procedures

1. Customer Eligibility/Enrollment

(a) Marketers Applying for Service Classification No. 20 Transportation Receipt Service

A Marketer or Direct Customer seeking to qualify as a Seller in Con Edison's service area must initially complete Parts A through D of the "New Application for SC 20 Transportation Receipt Service" contained in Appendix C. Parts E and F, which relate to, respectively, balancing service options and firm transportation capacity requirements, may be submitted at a subsequent date when the Seller is ready to serve prospective SC 9 customer(s) or when the Direct Customer is ready to commence service. All parts may be completed and submitted at the same time if the Seller has SC 9 customers ready to take service. The Seller must re-submit Part E each time it forms a new Small Customer Aggregation Group or Imbalance Aggregation Group. Once the application is approved, the Company will provide the Seller an account number and access to the Internet for Seller to establish its Customer Group. In addition, Seller will be required to attend a training session which will cover various aspects of the Power **YOUR**Way Program (i.e., balancing, capacity release, imbalance penalties, etc.) as well as a detailed session of how to use the TCIS Internet application.

- (b) Service to a Service Classification No. 20 Seller shall commence on the first day of the calendar month following receipt of a completed and executed Transportation Receipt Service application, and establishment of Seller's creditworthiness or receipt of any financial security, if required, from Seller. . In addition, all Sellers are required to complete EDI testing and certification requirements.

An applicant (Seller) for Transportation Receipt Service under Service Classification No. 20 shall submit the application form and other required information to:

Con Edison
Section Manager—Retail Choice Operations
4 Irving Place, 9FL SE
New York, NY 10003

2. Applications for Service

- (a) New Interruptible service customers, applying for Transportation Service under Service Classification No. 9, and/or Sales Service under Service Classification No. 12, themselves or through their Marketer shall submit the appropriate application form and other required information by mail or by fax at any of the Con Edison Energy Service Offices listed in Section II, page four.

The applicant or Marketer must provide information and/or a deposit sufficient to meet any other requirements imposed by the Company tariff or this procedure.

3. Applicants for Service Classification No. 9 Interruptible or Off-Peak Firm Sales and Transportation Service

- (a) New Customers or their Marketer who are applying for Transportation Service under Service Classification No. 09, and/or Sales Service Classification No. 12 shall submit the appropriate application form and other required information at any of the Con Edison Energy Service Offices listed in Section II, page four.
- (b) An existing Interruptible or Off-Peak Firm Sales Service Customer transferring to Transportation Service shall submit the application form and other required information by mail or by fax (212-528-0397) to the address listed below. An applicant (Seller) for Transportation Receipt Service under Service Classification No. 20 shall submit the application form and other required information to:

Con Edison
Gas Transportation Services
111 Broadway, Suite 1601
New York, NY 10006

(c) **Existing Sales Service Customers**

A Customer who is now receiving gas service under Service Classification No. 12 of Con Edison's Schedule for Gas Service, or an Existing Firm Customer, who wishes to convert to SC 9 Interruptible or Off-Peak Firm Transportation Service must complete the "Application for SC 09 Interruptible or Off-Peak Firm Transportation Service For Existing Customers Transferring From other Service Classifications" contained in Appendix C.

- (d) Any Customer who is establishing a new gas delivery service account with the Company under SC 9 and SC 12 Interruptible or Off-Peak Firm Transportation and Sales tariff must complete the "New Customer Application For SC 9 and SC 12 Interruptible or Off-Peak Firm Transportation and Sales Service" contained in Appendix C.

4. Switching Between Interruptible/Off-Peak Firm Service and Firm Service

If a Customer voluntarily switches to Firm Sales or Firm Transportation Service or is switched by the Company for failure to comply with the provisions of SC 9 or SC 12 of Con Edison's gas tariff, that Customer will be precluded from returning to Interruptible or Off-Peak Firm Service for the remainder of the current Winter Period plus the next twelve (12) succeeding months. Thereafter, the Customer may reapply for Interruptible or Off-Peak Firm service not less than 90 days prior to the proposed commencement date, except that the Customer may not request a commencement date that falls within the period from November 1 through March 31.

5. Applicants for Service Classification No. 9 CNG, Bypass, or Power Generation Transportation Service

An applicant must complete the appropriate application listed above and all other material deemed necessary by the Company in connection with the service to be provided (e.g. for a bypass Customer, the information necessary to evaluate the Customer's ability to physically and economically bypass the Company's facilities).

6. Commencement of Service

For new applicants, services will commence after all connections are complete in accordance with provisions of the Company's tariff.

- (a) Service to an SC 9 or SC 12 Customer shall commence upon the later of:
 - 1. The first day of the calendar month that occurs no less than 10 Days after completion of the application process, or on the first of the month after the installation of any required metering equipment, recording devices, dedicated phone lines, and the like.
- (b) Service to a Service Classification No. 20 Seller shall commence on the first day of the calendar month following receipt of a completed and executed Transportation Receipt Service application, and establishment of Seller's creditworthiness or receipt of any financial security, if required, from Seller. In addition, all Sellers are required to complete EDI testing and certification requirements.

7. Initiation of Service Fees, Deposits, or Other Requirements

Any fees, deposit requirements, or other charges identified in the Company's Tariff will apply to initiation of service to new transportation customer applicants.

B. Delivery Quantity Determination Procedures

- 1. **Interruptible and Off-Peak Firm Transportation Services**
 - (a) **Forming a Small Customer Group**
 - 1. A Seller is required to apply for SC 20 service each time it forms a new Small Customer Group. For a Seller who is currently serving an existing Small Customer Group, the Company may waive the credit approval process.
 - 2. A Group may be comprised of Firm, Interruptible or both Firm and Interruptible Transportation Customers whose aggregate annual requirements are at least 50,000 therms. Additionally, all members of the group shall be required to select the same Balancing Service option. A Group comprised of both Firm and Interruptible Transportation Customers must subscribe to either (i) Load Following Service and/or Daily Delivery Service in conjunction with Interruptible Monthly Balancing Service; or (ii) Firm Daily Cashout Service in conjunction with Interruptible Daily Balancing Service.
- 2. **Making Changes to a Small Customer Group**
 - (a) Seller shall submit in writing to Gas Supply – Transportation Services additions to or deletions from a Small Customer Group at least 30 days before the commencement of the month of delivery. The information for each Customer shall be the same as that required on the SC 20 application.
 - (b) The tariff describes the Seller's responsibility for maintaining a Small Customer Group with aggregate annual requirements of at least 50,000 therms.

3. Imbalance Reports

(a) Individual Customers

The Company shall provide through the Internet or to each customer an Imbalance report as soon as reasonably possible after the end of each Gas Day. The report shall reflect the most accurate data then available to the Company. The data which is used to calculate cashout volumes shall be subject to adjustment to reflect subsequent reconciliation's by the pipeline and any corrections to reflect operation or metering circumstances. Whenever daily metering information is not available an estimated metered volume will be substituted for that day and imbalance charges will be applied to the estimated metered volume.

If the Company fails to perform in accordance with the foregoing procedures, and if that failure causes a customer to incur an unauthorized use penalty or imbalance charges under the Company's tariff, the penalty or charge shall be waived. Such penalties or charges shall not be waived, however, if the customer could have taken steps to avoid their occurrence.

(b) Groups

For customers who are members of an Imbalance Aggregation Group, the Company shall provide through the Internet the report to Seller. The report will show the aggregated deliveries and aggregated consumption of the Customers in the Group.

4. Aggregated Groups Of Firm and Interruptible Customers

The SC 9 and SC 20 tariff leaves describe the methods by which the balancing charges and cashout charges and credits are calculated and applied, and also identifies who is responsible for paying the various charges. This section will describe the method by which balancing charges and cashout charges and credits will be applied to Small Customer Aggregation Groups or Groups Aggregating Imbalances comprised of a combination of Firm, Interruptible or Off-Peak Firm Customers.

(a) For an Aggregated Group of Firm, Interruptible or Off-Peak Firm Customer in which all members have elected either Daily Cashout Service (Firm) or Daily Balancing Service (Interruptible and Off-Peak Firm), the following rules apply:

1. Firm Customers will be subject to Citygate Imbalance Charges
2. The Seller shall submit one daily nomination for all Customers in the Group.
3. The Daily Transportation Quantity will first be applied to the Daily Delivery Quantities of all Firm Customers in the Group.
4. If the Daily Transportation Quantity is less than the Daily Delivery Quantities of Firm Customers in the Group, the Seller shall be subject to:
 - (i) Daily Cashout Charges for the difference between the total Daily Delivery Quantities of all Firm Customers in the Group and the total Daily Transportation Quantities, and
 - (ii) Daily Imbalance Charges and Cashout

Charges for the total Daily Delivery Quantities for the Interruptible and Off-Peak Firm Customers in the Group.

5. If the Daily Transportation Quantity is greater than the Daily Delivery Quantities for Firm Customers but less than the Daily Delivery Quantities for the Interruptible and Off-Peak Firm Customers, the Seller shall be subject to: Daily Imbalance Charges and Cashout Charges for the Interruptible and Off-Peak Firm Customers in the Group based on the difference between the Daily Delivery Quantity and the Daily Transportation Quantity for all Customers in the Group.
 6. If the Daily Transportation Quantity is greater than the sum of Daily Delivery Quantities for Firm, Interruptible and Off-Peak Firm Customers in the Group, the Seller shall be subject to: Daily Imbalance Charges and Cashout Credits for the Interruptible and Off-Peak Firm Customers in the Group based on the difference between the Daily Transportation Quantity and the Daily Delivery Quantities for all Customers in the Group.
5. For an Aggregated Group of Firm, Interruptible, or Off-Peak Firm Customers in which all Firm members have elected Load Following Service and Interruptible and Off-Peak Firm members have elected Monthly Balancing Service, the following rules apply:
- (a) Con Edison shall provide to Seller the Load Following Service Quantity for all Firm Customers in the Group.
 - (b) The Seller shall submit one Daily Transportation Quantity for all customers in the Group. This quantity shall not be less than the sum of the Load Following Service Quantity and the quantities applicable to the Interruptible and Off-Peak Firm Customers in the Group.
 - (c) Con Edison shall apply the Daily Transportation Quantity first to the Load Following Service Quantity and then to the quantities delivered to the Interruptible and Off-Peak Firm Customers in the Group.
 - (d) If the Daily Transportation Quantity is less than the sum of both the Load Following Service Quantity for Firm Customers and the quantities for Interruptible and Off-Peak Firm Customers in the Group, the Seller shall be subject to: (i) imbalance charges for under-deliveries to Firm Customers on the difference between the Load Following Service Quantity for the Firm Customers in the Group and the Daily Transportation Quantity, plus (ii) Minimum Delivery Charges and Cashout Charges on the total Daily Delivery Quantities for all Interruptible and Off-Peak Firm Customers in the Group.
 - (e) If the Daily Transportation Quantity is greater than the Load Following Service Quantity for Firm Customers in the Group but less than the quantities for Interruptible and Off-Peak Firm Customers in the Group, the Seller shall be subject to: Minimum Delivery Charges for Interruptible and Off-Peak Firm Customers, and Cashout Charges for Interruptible and Off-Peak Firm Customers, on the difference between the total Daily Delivery Quantities and the total Daily Transportation Quantities for all Customers in the Group.
 - (f) If the Daily Transportation Quantity is greater than the sum of the Load Following Service Quantity and quantities for Interruptible and Off-Peak Firm Customers in the Group, the Seller shall be subject to: Minimum Delivery Charges for Interruptible and Off-Peak Firm Customers and Cashout Credits for

Interruptible and Off-Peak Firm Customers on the difference between the total Daily Transportation Quantities and the total Daily Delivery Quantities for all the customers in the Group.

C. Nominating Procedures

1. Pre-Month Election of Sales or Transportation Service

- (a) Prior to each calendar month, all Interruptible and Off-Peak Firm Transportation Customers must elect either SC 12 sales service or SC 9 transportation service for the entire following calendar month.
- (b) For Off-Peak Firm Customers, on the fourth business day prior to the first day of the following month, the customer shall be notified by the Company of the new citygate sales rate applicable to the following calendar month through the use of internet, by fax, or by telephone or other electronic medium. By 12:00 PM of the second business day, the customer must elect sales service or transportation service and daily balancing or monthly balancing for the entire following calendar month. The Company, at its discretion, may post subsequent prices that differ from the initial price, the last of which will be posted no later than 4:00 PM of the third business day prior to the first day of the following month. Customers may lock into any price offered by the Company until 12:00 PM of the second business day. Once a customer locks into a price, that price will be unaffected by any price posted thereafter.
- (c) Interruptible or Off-Peak Firm Customers must make their election to take either Sales or Transportation service by supplying all of the information required by fax document, which must be returned by 12:00 PM of the second business day prior to the first day of the following calendar month. Customers who fail to make a timely election shall be deemed to have elected Interruptible or Off-Peak Firm Sales Service, unless the Customer previously advised the Company in writing that Transportation Service should be its default service.
- (d) The Company will notify Off-Peak Firm Sales or Transportation Customers by fax of any rate decrease occurring during the month at least 24 hours prior to the effective date of the rate change. In such an event, Customers that elected transportation service for that month shall have the option, subject to the availability of gas supply, to elect sales service for the balance of that month. The Company may make an intra-month rate change to avoid imposing costs on Firm Customers.

2. Nominations

Sellers of Small Customer Aggregation Group(s) or Imbalance Aggregation Group(s) must provide a total nomination for all Customers in a Small Customer Aggregation Group or Imbalance Aggregation Group.

3. Pre-Month Nominations

- (a) Each Interruptible and Off-Peak Firm Transportation Customer or Seller acting on behalf of a Group must submit a pre-month nomination.

- (b) A Seller shall submit a total pre-month nomination for all of the Customers in a Small Customer Aggregation Group or an Imbalance Aggregation Group.
- (c) A pre-month nomination shall be submitted through the Company's Internet (TCIS). For instructions and access to the Internet a Customer or Seller should contact Gas Supply - Transportation Services.
- (d) The following information is required for pre-month and daily nominations:
 - name of the Customer or Group identification number from the SC 20 application, for a Small Customer Aggregation Group or Imbalance Aggregation Group.
 - name of the Customer's Agent or Seller, as applicable,
 - name(s) of the transporting pipeline(s),
 - pipeline contract number(s) and pipeline activity or service number(s) associated with the transaction
 - Daily Transportation Quantity by Receipt Point for the first day of the month (pre-month nomination), and
 - any other information required by a pipeline's nominating procedures.
- (e) Pre-month nominations shall apply to the first Gas Day of the month and to each subsequent Gas Day until superseded by a changed daily nomination or the next month's pre-month nomination.
- (f) Pre-month nominations must be received by Con Edison no later than 2:00 PM of the business day preceding the applicable pipeline nomination deadline for business commencing the next month.

4. Daily Nominations

- (a) Daily nominations must be submitted to the Company via the Internet (TCIS) by 2:00 PM on the business day preceding the Gas Day for which the nomination is applicable. The information specified in 3 (d) above is required for daily nominations.
- (b) A Seller shall submit a total daily nomination for all of the customers in a Small Customer Aggregation Group or an Imbalance Aggregation Group.
- (c) The Company will accept daily or intra-day nominations during weekends and holidays, as long as the nominations are faxed to Con Edison's Gas Control Department at **718-794-2924**. The imbalance report prepared by the Company for the Customer or Seller, as applicable, will not reflect daily nominations made on a weekend or a Con Edison holiday until the first business day following the weekend or holiday.

- (d) On a day when the Company is testing its interruption systems the Company will notify the Seller that certain of its dual fuel customers are expected to use less gas than usual that day. If the test is for less than twenty-four (24) hours, Seller will be permitted to carry over any surplus gas delivered on the day of the test to a subsequent day within the month and imbalance charges for the day of the test will be automatically waived.

5. When a Pre-Month or Daily Nomination Cannot Be Accepted

- (a) The Company will notify the customer or the Customer’s Agent or Seller, as applicable, if it is unable to render the service nominated by phone, fax or e-mail. No notice will be issued if the nomination is accepted by the Company.
- (b) Notification of the rejection of a pre-month nomination will be made no later than 5:00 PM of the business day preceding the applicable pipeline nomination deadline. A notice rejecting a daily nomination will be made as soon as possible prior to the applicable pipeline nomination deadline.

6. NAESB Standards

Transaction schedules and procedures upstream of the Company’s citygate are controlled by the FERC Regulations and NAESB Standards. Where designated herein, the NAESB Standards also apply to transaction schedules and procedures at the citygates.

The following table shows the current NAESB Daily Nomination Cycle –

Daily Nomination Cycle - Eastern Time (Central Time)				
Nomination Type	Deadline for Shipper Nomination	Deadline Upstream/ Downstream Confirmation	Deadline for Scheduled Quantities or Bump Notices	Effective Time to Flow Gas
Timely Nomination	12:30 p.m. (11:30 a.m.)	4:30 p.m. (3:30 p.m.)	5:30 p.m. (4:30 p.m.)	10:00 a.m. (9:00 a.m.)
Intra-Day 1 Nomination	11:00 a.m. (10:00 a.m.)	2:00 p.m. (1:00 p.m.)	3:00 p.m. (2:00 p.m.)	6:00 p.m. (5:00 p.m.)
Intra-Day 2 Nomination	6:00 p.m. (5:00 p.m.)	9:00 p.m. (8:00 p.m.)	No Bumping	10:00 p.m. (9:00 p.m.) (same gas day)
Evening Nomination	7:00 p.m. (6:00 p.m.)	10:00 p.m. (9:00 p.m.)	11:00 p.m. (10:00 p.m.)	10:00 p.m. (9:00 p.m.)

7. Holidays Observed by Con Edison

January	New Year's Day Martin Luther King, Jr.'s Birthday
February	President's Day
May	Memorial Day
July	Independence Day
September	Labor Day
October	Columbus Day
November	Veterans' Day Thanksgiving Day Day After Thanksgiving
December	Christmas

D. Balancing – Daily/Monthly, Tolerances, Penalties

1. Currently Effective Imbalance Charges Applicable to Interruptible or Off-Peak Firm Customers

(a) Daily and Monthly Balancing Options

Customers and/or Sellers can choose between Daily and Monthly balancing on a month-to-month basis. The SC 9 and SC 20 tariff leaves describe the Company's daily balancing and monthly balancing options and explain whether the Customer or the Seller is responsible for imbalance charges.

For a Seller serving a Group, the Company will apply the applicable charges to the net imbalance for the Group.

The currently effective charges per therm for imbalance for the daily balancing and monthly balancing options are as follows:

Daily Balancing

Surplus Imbalances

(1)	up to 10%.....	\$0.000 per therm
(2)	next 10%.....	Per Statement
(3)	over 20% (Summer).....	Per Statement
(4)	over 20% (Winter).....	Per Statement

Deficiency Imbalances

(1)	up to 10%.....	\$0.000 per therm
(2)	next 10%.....	Per Statement
(3)	over 20% (Summer).....	Per Statement
(4)	over 20% (Winter).....	Per Statement

Monthly Balancing

(a) Balancing Charge

The customer shall be required to deliver no less than the Minimum Daily Transportation Quantity on each day of the month. The Customer or Seller shall have the option each month to choose a Minimum Daily Transportation Quantity equal to 70%, 80% or 90% of the Customer's Daily Delivery Quantity ("Minimum Delivery"). The customer shall pay a per therm Balancing Charge on all gas consumed during the billing period as follows:

- (1) 70% Minimum Delivery.....\$0.0105
- (2) 80% Minimum Delivery.....\$0.0070
- (3) 90% Minimum Delivery.....\$0.0020

(b) Minimum Delivery Charge

The Customer or Seller shall pay a Minimum Delivery Charge on under-delivery quantities on any day which the Daily Transportation Quantity is less than the Minimum Delivery Quantity ("under-deliveries") as follows:

Under-deliveries

- (1) Summer.....Per Statement
- (2) Winter.....Per Statement

2. **Imbalance Trading Service**

Marketers or Direct Customers shall be allowed to participate in either Monthly or Daily Imbalance Trading for a particular month. Daily Imbalance Trading will initially be available only to Marketers serving Interruptible or Off-Peak Firm Customers and Direct Customers.

Monthly Imbalance Trading

Effective April 1, 2001 Marketers serving Firm, Interruptible or Off-Peak Firm or Power Generation customers under Service Classification No. 9 or Direct Customers will be permitted to trade end-of-month imbalances with other Marketers/Direct Customers at specific pipeline Citygate Receipt Points. Any imbalances not traded will be subject to imbalance charges and cashout credits and surcharges applicable under Service Classification No. 20.

This service will terminate on September 30, 2007 unless extended by the Company with the approval of the Public Service Commission.

Imbalance trading will be limited to imbalances incurred during the same calendar month. Marketers/Direct Customers electing to trade firm and interruptible or off-peak firm imbalances are responsible for the full risk of their trade, since consumption data for firm customers (and therefore their imbalance position) will not be determined until the second calendar month following the month in which the imbalance occurred.

By 4:00 PM on the 12th business day of each month, the Company will post monthly imbalance information from the previous month on its TCIS Internet Site.

Only the imbalance positions for Marketers serving Interruptible or Off-Peak Firm and Power Generation customers under Service Classification No. 9 or Direct Customers will be posted since consumption data for firm customers will not be determined until the second calendar month. The posting will include a list of Marketers with telephone and e-mail information, the pipeline on which the imbalance occurred, and a + or – sign to indicate the direction of each Marketer's imbalance for the prior month. The actual monthly imbalances of Marketers will not be disclosed. It will be the responsibility of the Marketer to review the imbalance information on TCIS and to contact Marketers with whom a monthly imbalance trade appears feasible. Marketers will have three business days from the time of the posting to contact the Company with their imbalance trading results. Imbalance trading results will be communicated back to the Company via the TCIS Internet Site. Imbalance trading results must be authorized by both trading partners in order to be considered valid by the Company. Trading results not received within the three business day period will not be processed by the Company.

If a Marketers/Direct Customer's cashout position changes as the result of an adjustment to a customer's bill that leaves the Marketer/Direct Customer short for that month, the imbalance trade for that month will only be adjusted at the agreement of both Marketers/Direct Customers involved in the trade.

Daily Imbalance Trading

The Company is offering a Daily Imbalance Trading Service that will be available in two phases.

Phase one, effective February 1, 2003 Marketers serving Interruptible or Off-Peak Firm customers under Service Classification No. 9 and Interruptible or Off-Peak Firm Direct Customers, excluding Power Generation Customers, will be permitted to trade end-of-day imbalances with other Marketers/Direct Customers. Power Generation Customers will be included during Phase Two which will be filed with the Commission before June 1, 2003.

Daily Imbalance Trading will be limited to imbalances incurred during the same gas day. Any imbalances not traded will be subject to imbalance charges and cashout credits and surcharges applicable under Service Classification No. 20.

Imbalance information is available daily on the TCIS Internet Site by 2:00 PM for the prior gas day. Imbalance information for gas days ending on a Saturday, Sunday or on a Company-observed holiday will be updated in TCIS on the following business day. A list of participating Marketers with telephone and e-mail information will be posted to the TCIS Internet Site. It will be the responsibility of the Marketer/Direct Customer to review the imbalance information and to contact Marketers/Direct Customers with whom a daily imbalance trade appears feasible.

Imbalance Trading results will be communicated back to the Company via the TCIS Internet Site and must be authorized by both trading partners in order to be considered valid by the Company. The TCIS trading screen will be available every day for the current month and until 4:00 PM on the 3rd business day of the following month. Trading results received after that date will not be accepted.

If a Marketer/Direct Customer's cashout position at the end of the month changes as the result of an adjustment to a customer's bill that leaves the Marketer/Direct Customer short for that month due to a daily imbalance trade, the imbalance

trade for any day of the month will only be adjusted with the agreement of both Marketers/Direct Customers involved in the trade sent to the Company via e-mail at TCIS@coned.com.

This service will be available through the period ending September 30, 2007, unless extended by the Company with the approval of the Public Service Commission.

3. **Automatic Netting of Imbalances**

The Automatic Netting of Imbalances Program ("Program") will be available to Marketers serving Interruptible or Off-Peak Firm Customers under the Company's Service Classification No. 9 and Interruptible or Off-Peak Firm Direct Customers, excluding Power Generation Customers, to identify and net imbalances for the same gas day for two or more marketers using the same balancing service option (i.e., Daily Balancing Service or the same Minimum Delivery percentage ("band") of Monthly Balancing Service) and to determine the cash out tiers to be applied to end-of-month cash-out imbalances for such marketers. A Marketer may opt to not participate in the Program for any calendar month by notifying the Company by e-mail at least two (2) business days prior to the start of the calendar month; if the Company does not receive an opt-out notification, the Marketer will be included in the Program for that calendar month.

For Daily Balancing Service

For Marketers serving customers under Daily Balancing Service automatic netting will take place at the end of each gas day above the 10% tolerance currently allowed. Imbalances above 10% will be netted against each other to determine if as a pool the Marketers remain within the 10% allowance ("revised imbalance"). If the entire pool is within the 10% allowance no imbalance charge will be applied. If the revised imbalance is a surplus above the 10% allowance the marketer(s) contributing to that surplus will be assessed a prorated imbalance charge based on their contribution to the revised imbalance. If the revised imbalance is a deficit above the 10% allowance the marketer(s) contributing to that deficit will be assessed a prorated imbalance charge based on their contribution to the revised imbalance. After the automatic netting, imbalances will be eligible for Daily Imbalance Trading under the applicable imbalance trading provisions.

To determine the cash out tiers to be applied to end-of-month imbalances, the Company will net the Marketer's end-of-month imbalance (the difference between the amount of gas delivered for a Marketer pool (less allowance for losses) and the amount of gas metered for each Marketer pool). Residual end-of-month imbalances will be eligible for Monthly Imbalance Trading under the applicable imbalance trading provisions.

There will be no automatic netting of imbalances under the Program on any day that an Operational Flow Order is in effect.

For Monthly Balancing Service

For Marketers serving customers under Month Balancing Service automatic netting will take place at the end of each gas day among Marketers/Direct Customers electing the same Minimum Delivery percentage ("band") (i.e., 70%, 80% or 90%). Imbalances above the allowable tolerance in each band will be netted against each other to determine if as a pool the Marketers remain within

the allowable tolerance (“revised imbalance”). For example, a Marketer that chooses a band of 70% would have an allowable tolerance band of 30% on under-deliveries, a marketer with an 80% band will have an allowable tolerance band of 20% on under-deliveries, and a marketer with a 90% band will have an allowable tolerance band of 10% on under-deliveries. If the entire pool within each of the bands exceeds the allowable tolerance within that band, the marketer(s) contributing to the imbalance will be assessed a prorated imbalance charge based on its contribution to the revised imbalance. After the automatic netting imbalances will be eligible for Daily Imbalance Trading under the applicable imbalance trading provisions.

To determine the cash out tiers to be applied to end-of-month imbalances, the Company will net the Marketer’s end-of-month imbalance (the difference between the amount of gas delivered for a Marketer pool (less allowance for losses) and the amount of gas metered for each Marketer pool). Residual end-of-month imbalances will be eligible for Monthly Imbalance Trading under the applicable imbalance trading provisions.

There will be no automatic netting of imbalances under the Program on any day that an Operational Flow Order is in effect.

4. **Cashout Charge/Credit**

Monthly or Daily Balancing Service

- (a) The SC 9 and SC 20 tariff leaves describe how a Cashout Charge or Credit is calculated and applied and explain whether the Customer or the Seller is the responsible person.
- (b) For a Seller serving a Group, the Company will apply the applicable Cashout Charge/Credit to the net imbalance for the Group.
- (c) Surplus Imbalance Cashout Applicable to Interruptible or Off-Peak Firm Customers

The derivation of the (i) wellhead price and the (ii) variable transportation costs used in calculating a Net Surplus imbalance is as follows:

- (i) The wellhead price will be the simple average of the daily midpoint prices of Transcontinental Pipeline Zone 3 (Station 65) Production Area Index as reported in the publication, “Gas Daily”.
- (ii) The variable transportation costs will be the actual variable transportation charges as stated in the Transcontinental Pipeline tariffs from Station 65 to Con Edison’s Citygate.

The derived price will be provided to each Seller within five (5) business days after the end of the delivery month via Internet.

The Monthly Cashout Credit on the Net Surplus Imbalance Quantity shall be equal to the product of (i) the wellhead price (WP) for gas plus variable transportation costs (VTC) and (ii) the applicable percentage as follows:

<u>Net Surplus Imbalance</u>	<u>Credit Per Therm</u>
up to 10%.....	100% of sum of WP and VTC
greater than 10% but less than or equal to 15%.....	90% of sum of WP and VTC
greater than 15% but less than or equal to 20%.....	85% of sum of WP and VTC
greater than 20% (Summer).....	70% of sum of WP and VTC
greater than 20% (Winter).....	60% of sum of WP and VTC

(d) **Deficiency Imbalance Cashout Applicable to Interruptible or Off-Peak Firm Customers**

As provided in the tariff, the “Citygate Price applicable to Interruptible or Off-Peak Firm Customers” will be used in calculating a Net Deficiency Imbalance Cashout.

The Monthly cashout Charge on the net Deficiency Imbalance Quantity shall be equal to the product of the simple average of the daily midpoint prices of Transcontinental Pipeline Zone 6-NY Citygate Index as reported in the publication, “Gas Daily” for the month in which the imbalances occurred and the applicable percentage, as follows:

<u>Net Deficiency Imbalance</u>	<u>Charge Per Therm</u>
up to 10%.....	100% of Citygate Price
greater than 10% but less than or equal to 15%%... ..	110% of Citygate Price
greater than 15% but less than or equal to 20%.....	115% of Citygate Price
greater than 20% (Summer).....	130% of Citygate Price
greater than 20% (Winter).....	140% of Citygate Price

5. **Aggregating Imbalances**

(a) **Customers Purchasing Gas From Sellers**

A Seller may form an Imbalance Aggregation Group for purposes of minimizing imbalance and cashout charges by completing an SC 20 application form. Changes to an existing Imbalance Aggregation Group must be submitted to Gas Supply – Transportation Services no later than three (3) business days prior to the start of the delivery month. The Seller shall be responsible for reimbursing the Company for any applicable SC9 rates and charges not paid by the SC 9 Customer(s) the Seller is representing.

(b) **Customers Purchasing Gas From Con Edison**

1. A customer who requests to become part of an aggregation group must check off the appropriate box on its monthly SC 12 Off-Peak Firm price quotation form which will be faxed by the Company three days before the next calendar month. The customer's selection of Group balancing will be effective on the next calendar month.
2. The service charge applicable to any month will be included on the monthly Statement of Balancing Charges.
3. **Terms and Condition of Service**
 - (i) The Service Charge will be applied to all gas consumed during the month. The Company will assume the responsibility for all daily surplus and deficiency imbalance charges.
 - (ii) Customers opting for this service will not be subject to the end-of-month cashout charges or credits.
 - (iii) Customers will be required to provide an estimate of their monthly usage on the monthly price quotation form but will not be required to make daily nominations.

E. Dual-Fuel Sales Services

1. **Rate Information**

(a) **Interruptible Sales and Transportation Rates**

The monthly rate(s) for Interruptible Sales and Transportation Service (SC12 Rate 1 and SC 9 Rate 1) effective on the first day of the following calendar month will be available on or before the 2nd business day prior to the start of the new month. A Customer may obtain this rate information through the Company's Internet (www.coned.com - choose document center from the drop menu). In the event that customer does not have Internet access, rate information may be obtained by contacting an Energy Services representative at one of the Company's offices listed in Section B. If the Company revises its effective Interruptible or Off-Peak Firm sales and/or transportation rates during the month, affected Customers will be notified by fax no later than 24 hours prior to the effective date of the rate change. The Internet will be updated accordingly.

Posted interruptible rate categories shall be changed no more frequently than once every calendar quarter, with 30 days prior notice to all affected SC12 Rate 1 customers. The Company will establish, at its sole discretion, a single rate or multiple rate levels applicable to each rate category, effective on the first calendar day of each month.

(b) **Off-Peak Firm Sales Rate**

The Company will advise all Off-Peak Firm Sales Service Customers (SC12 Rate 2) of the monthly Off-Peak firm sales rate by fax, or by telephone.

A Customer may also obtain this rate information through the Company's Internet site or by contacting an Energy Services representative at one of the Energy Services offices listed in Section B.

The monthly rate(s) for Off-Peak Firm Sales Service (SC12 Rate2) will be effective on the first day of the following calendar month. On the fourth business day prior to the first day of the following month, the Customer shall be notified by the Company of the new Citygate sales rate. The Company, at its discretion, may post subsequent prices that differ from the initial price, the last of which will be posted no later than 4:00 PM of the third business day prior to the first day of the following month. By 12:00 PM on the second business day prior to the first day of the following month, the Customer must elect sales service or transportation service and daily balancing or monthly balancing for the entire calendar month. Customers may lock into any price offered by the Company until 12:00 PM of that second business day. Once a Customer locks into a price, that price will be unaffected by any price posted thereafter.

(c) Negotiated Off-Peak Firm Transportation Rates

As provided in SC No. 9 Rate C and SC No. 12 Rate 2 of the Company's Gas Tariff, the Company will consider an Off-Peak Firm Customer's request to negotiate a delivery rate (other than the Base Rates set forth for such Customer in the Tariff) provided that the Customer's estimated annual gas usage on record with the Company is equal to or greater than 3,000,000 therms, as determined in accordance with Section IV.E.4 of this Operating Procedure.

Any negotiated delivery rate agreed to by the Company and the Customer will be fixed for a term of no less than three consecutive months, provided however, that the Customer will continue to be subject to the Minimum Charge equivalent to the produce of fifty percent of the Customer's estimated annual gas usage multiplied by the non-negotiated Base Rate applicable to the one, two or three-year term of service that the Customer has elected under SC No. 9 Rate C or SC No. 12 Rate II of the Gas Tariff. Such Minimum Charge will be collected at least ratably over the Customer's annual billing period.

An Off-Peak Firm Customer's request to negotiate a delivery rate, including the required documentation set forth in (i) and (ii) below, must be submitted in writing by fax, e-mail or overnight mail no later than the tenth (10th) calendar day of the month immediately preceding the month in which the Customer is requesting that such negotiated rate take effect. Within one week of receipt of the required documentation from the Customer (as set forth below), the Company will either advise the Customer (or its designated representative) that the request to negotiate a rate is rejected or, if it is willing to consider such request, commence negotiations with the Customer. The Customer may update the information in (ii) below after the 10th calendar day of the month specified above for consideration by the Company in seeking to reach an agreement with the Customer. If an agreement is reached, the negotiated delivery rate and any related terms and conditions must be set forth in writing and signed by both parties no later than the fourth (4th) business day before the end of the month immediately preceding the month in which such rate is to take effect.

For a new applicant for Off-Peak Firm Service, acceptance of the contract for a negotiated delivery rate will also be subject to receipt of an acceptable and complete application for service from the Customer and completion of any necessary Company and/or required installations.

Documentation to be submitted by a Customer requesting a negotiated delivery rate must include the following:

- (i) Copies of the Customer's past twelve (12) months of oil bills confirming the Customer's actual alternate fuel oil costs, including all applicable taxes, or such other documentation that is acceptable to the Company showing the gallons of oil delivered and the price paid per gallon for such deliveries, including applicable taxes; and
- (ii) Copies of firm or binding oil company proposals or quotes for future oil prices per gallon and related quantities that will cover the term that the proposed negotiated rate will be in effect.

In determining the equivalent oil-gas price per dekatherms, the Customer's oil cost per gallon (\$ per gallon) will be multiplied by the following conversion factors:

No. 2 Oil: 7.1942; No. 4 Oil: 7.0423 and No. 6 Oil: 6.8966

The Company will decline a request to negotiate a delivery rate if the Customer does not submit the required documentation or submits incomplete or unacceptable documentation.

Where the Company does engage in negotiations with the Customers, nothing in these procedures establishes any obligation on the Company to reach agreement with the Customer for a negotiated delivery rate.

Written requests by an existing Off-Peak Firm Customer (or its designated representative) for a negotiated delivery rate, including the required documentation and the Customer's account number, should be addressed to:

Manager, Gas Supply
Con Edison
111 Broadway, Suite 1601
New York, NY 10006

and

Senior Analyst, Gas Supply
Con Edison
111 Broadway, Suite 1601
New York, NY 10006

Written requests for a negotiated delivery rate by a new applicant for Off-Peak Firm Service, including the required documentation, should be addressed to:

Section Manager
Gas Sales
Energy Efficiency Programs
Con Edison
4 Irving Place, 10th Floor
New York, NY 10003

and

Director
Energy Efficiency Programs
4 Irving Place, 10th Floor
New York, NY 10003

Requests for a negotiated delivery rate, including the required documentation, should be sent via fax, e-mail or overnight mail to the appropriate Company representatives. Required documentation in support of such requests that is available only in hard copy should be sent via fax or overnight mail.

2. Interruption Options – Sales Customers

- (a) An Interruptible Sales Customer may elect either notification or temperature-control as its method of service interruption. Prior to each heating season, the Company will submit a Pre-Season Notification letter and Affidavit of Alternate Fuel/Energy Source. The letter will include the specified outdoor temperature at which the Customer electing temperature-control shall switch to its alternate energy source.
- (b) If a Customer elects temperature-control, it is required to obtain, install in a location approved by the Company, and maintain an adjustable temperature-control device that will allow the Customer to switch to its alternate energy source. The Customer is required to set its temperature sensing equipment to the Company prescribed temperature within five (5) business days after receipt of the Company's notice.
- (c) An Off-Peak Firm Customer or an Interruptible Customer, who elects notification, must provide telephone and/or fax numbers for both normal business and non-business hours, including weekends and holidays, which the Company will use to notify the Customer of any gas curtailment. The telephone number must not require an extension or be connected to an answering machine.
- (d) Should any of these numbers change, the Interruptible or Off-Peak Firm Customer must promptly notify the Company of the new telephone and/or fax number, as applicable, by fax (718-246-3241) to Gas Supply – Transportation Services. Any change in telephone or fax number will not relieve the customer of the responsibility to interrupt its gas usage during a Company curtailment.
- (e) No later than October 1 of each year, a Customer may change its method of interruption for the annual period commencing November 1 by written notification to its local Energy Service representative.

3. Interruption Options – Transportation Customers

An Interruptible Customer who takes Transportation Service under SC9 may elect either notification or temperature control as its method of service interruption. For Interruptible Transportation Customers, the temperature-control option will be in effect on a trial basis from December 1, 2002 through March 31, 2003. Prior to March 31, 2002, the Company, at its sole discretion, may switch Customers from the temperature-control option to the notification option at any time, upon notice given to the Customer to alleviate conditions that threaten the integrity of the Company's distribution system or the Company's ability to serve the requirements of its firm Customers. The Company will undertake a full evaluation of the temperature-control option after the 2002-2003 Winter Period. Prior to the heating season, the Company will send a Pre-Season Notification Letter to such Interruptible Customers that will contain the specified outdoor temperature at which Customers electing Temperature-Control must switch to their alternate fuel or energy source.

(a) The Temperature-Control Option

An Interruptible Customer taking Transportation Service under SC 9 who chooses temperature-control as its method of service interruption is required to:

1. Obtain, install in a location approved by the Company, and maintain an adjustable temperature-control device that will allow the Customer to switch to its alternate fuel or energy source.
2. Set its temperature-sensing equipment at the Company-prescribed temperature within five (5) business days after receipt of the Company's notice.
3. Acknowledge its responsibility to switch to an alternate fuel or energy source at a higher temperature (than the one prescribed above) upon notice from the Company in the event of a problem on the Company's gas distribution system (the form will be included in the Pre-Season Notification Letter).
4. Provide telephone and/or fax numbers for both normal business and non-business hours, including weekends and holidays, which the Company will use to notify the Customer in the event of a system distribution problem or an emergency. Promptly notify the Company (by fax at 718-246-3241) of any change in telephone or fax number, as applicable. Any change in telephone or fax number will not relieve the Customer of the responsibility to interrupt its gas usage during a Company curtailment.
5. Inform its Marketer that it has chosen temperature-control as its interruption method.
6. Acknowledge its responsibility, where it is not utilizing a Marketer (i.e., a Direct Customer), for payment of daily imbalance and monthly cashout charges that may result from a Temperature-Control interruption.

(b) Marketer Requirements Where Temperature-Control is Elected

A Marketer/ESCO, who is serving SC 9 Interruptible Customers that have elected Temperature-Control as their method of service interruption, is required to:

1. Perform daily nominations, as specified in this Manual, to ensure adequate gas supply for all customers within its group.
2. Acknowledge its responsibility for payment of daily imbalance and monthly cashout charges that may result from a temperature-control interruption of a Customer within its group (a form will be included in the Pre-Season Notification Letter).

(c) The Notification Option

An Interruptible Customer taking Transportation Service under SC 9 who chooses Notification as its method of service interruption is required to:

1. Provide telephone and/or fax numbers for both normal business and non-business hours, including weekends and holidays, which the Company will use to notify the Customer of any gas curtailment. The telephone must not require an extension or be connected to an answering machine.
2. Promptly notify the Company (by fax at 718-246-3241) of any change in telephone or fax number, as applicable. Any change in telephone or fax number will not relieve the Customer of the responsibility to interrupt its gas usage during a Company curtailment.

4. Pre-Season Customer Notification

Prior to November 1 of each year, the Company will notify all Interruptible and Off-Peak Firm Customers in a certified letter, return receipt requested, of the operating requirements for the coming heating season. The notice will include the current rates and charges for any unauthorized gas use and the Company's plan to conduct an interruption in early November as well as the Company telephone numbers and contact personnel to call in the event that an equipment failure prevents the customer from switching to its alternate fuel during a service interruption or curtailment. Also included in the Pre-Season Customer Notification letter is a form of Affidavit for Service Classification Nos. 9 & 12 that provides information on the customers' alternate fuel supply and attests to customers' satisfying their responsibilities as an Interruptible or Off-Peak Firm gas customer. All Interruptible and Off-Peak Firm Sales and Transportation Customers are responsible for completing and returning this form to the Company, as well as completing a form to update any changes to their contact information. For Temperature-Control Customers, the notice will also include the prescribed temperature settings for both interruption and resumption of gas service for the upcoming winter period.

5. Determination of an Interruptible or Off-Peak Firm Customer's Annual Usage

- (a) A customer's annual gas requirements will be determined as follows:
1. For a Customer using oil, the customer's historical operating usage will be converted to therms based on the type of fuel oil used.
 2. For a Customer using service at a premises not previously supplied by gas or oil, the usage will be estimated based on the information used to size and meter the Customer's equipment.
 3. For a Customer adding new load, the annual usage will be increased by the estimate of the input ratings of the equipment to be installed.
 4. For an existing customer who alternates between the use of oil and gas throughout the year, the annual usage will be based on a review of the Customer's oil use converted to therms in addition to the amount of gas consumed during the year.

5. For all Customers, the Company will consider input from the Customer regarding changes in the Customer's annual gas usage.
6. **Reserve Requirements for Interruptible, Off-Peak Firm and Power Generation Customers**

Interruptible, Off-Peak Firm and Power Generation Customers must conform to the following additional requirement.

- (a) By October 1 of each year, all Interruptible, Off-Peak Firm and Power Generation Customers are required to demonstrate to the Company that, by November 1 of that year, they have adequate reserves of their alternate fuel or energy source based on each Customer's peak winter period requirements. A Customer may meet the reserve requirement through a combination of on-site storage capacity and by providing satisfactory proof to the Company that a relationship exists with the alternate fuel or energy provider to supply the Customer with the additional amount required to meet the Customer's reserve requirement.
 - Interruptible Temperature Control Customers, whose alternate fuel is diesel, propane, No. 2 oil, No. 4 oil, and/or No. 6 oil must have a seven-day reserve.
 - Interruptible or Off-Peak Firm Notification Customers whose alternate fuel is diesel, propane, No. 2 oil, No. 4 oil, and/or No. 6 oil (hereinafter referred to "alternate fuel") must have a ten-day reserve.
 - A Power Generation Customer, Contract Interruptible or Off-Peak Firm Industrial Customer, as defined in the Definition section of SC No. 9 of the Tariff, whose alternate fuel is diesel, propane, No. 2 oil, No. 4 oil, and/or No. 6 oil must have a five-day reserve. Other Interruptible or Off-Peak Firm Customers must maintain reserve levels acceptable to the Company.
 - To the extent a Customer relies on alternate energy sources other than alternate fuel ("alternate energy source"), there must be in place one or more executed contracts with one or more supplier(s) for such alternate energy source during the Winter Season in quantities which meet the Customer's alternate energy requirement based on peak winter requirements. The alternate energy requirement for Interruptible Temperature Control Customers is seven days of reserves. For Interruptible or Off-Peak Firm Notification Customers, the alternate energy requirement is ten days of reserves.
 - Power Generation Customers must maintain operable Emergency Low Gas Inlet Pressure Trip Switch, Gas Telemetry Equipment, and any other equipment the Company deems necessary to provide service.

A new Interruptible or Off-Peak Firm Customer with alternate fuel capability, commencing service on and after November 1, 2001, must have as part of its applicable reserve requirement three days or more of on-site inventory of its alternate fuel, based upon the Customers' peak Winter Period requirements. The Customer's peak Winter Period requirements will be determined on the basis of the Customer's peak day energy requirements during the prior Winter Period. (See Section IV - E.5 – Determination of an Interruptible or Off-Peak Firm Customer's Annual Usage).

In accordance with the Commission's Order Directing Utilities to File Revised Interruptible Gas Service Tariffs, issued August 24, 2000, in Case 00-G-0996, the Company will consider, on a case-by-case basis, requests to be exempt from the applicable reserve requirement from individual Customers that elect to shut down operations during critical periods for as long as gas service is interrupted, where the Customer agrees to (i) install

or to have installed, all equipment (including an automatic shut-off valve and communications equipment) deemed necessary by the Company, at Customer's sole cost and expense, (ii) reimburse the Company for any other costs incurred by the Company in connection with such election and its implementation, and (iii) execute all documents deemed necessary by the Company to consider such election to be verifiable.

7. Charges for Failure To Conform To Reserve Requirements

Customers that fail to conform to the above stated reserve requirements or that fail to keep their dual-fuel facilities operational will be subject to the following penalties:

- (a) Interruptible or Off-Peak Firm Customers, including Contract Interruptible or Off-Peak Firm Industrial Customers, with inadequate alternate fuel or energy reserves who fail to interrupt gas service at any time during either the first five (5), seven (7) or ten (10) days of interruption (depending on their respective classification) will be billed for the difference between (i) 130% of the higher of the applicable alternate fuel price, or the applicable Interruptible or Off-Peak Firm sales rate, and (ii) the applicable Interruptible or Off-Peak Firm sales rate. The charge shall be applied to all gas consumed during the billing period in which there is non-compliance with the interruption and for any subsequent billing periods during which the non-compliance continues. Any Interruptible or Off-Peak Firm Customer with inadequate alternate fuel or energy reserves as of November 1 of each year will similarly be subject to the above-described charge.

The alternate fuel price shall be based on the average New York City "Posted Tank Wagon Delivery – Fuel Oil" cost for the applicable fuel oil, as published in The Journal of Commerce on the first day of each month commencing November 1 and continuing until such month that the Customer is in compliance.

- (b) Power Generation Customers with inadequate alternate fuel or energy reserves who fail to interrupt gas service at any time during the first five (5) days of interruption in any winter season, will be billed for the difference between (i) 130% of the higher of a published distillate fuel index price or the Power Generation Gas Price and (ii) the Power Generation Gas Price. The Power Generation price is defined as the sum of the Power Generation Rate, excluding the Value Added Charge ("VAC") and the cost of gas used in generating electricity as recognized in determining the VAC. The charge shall be applied to all gas consumed during the billing period in which there is non-compliance with the interruption and for any subsequent billing periods during which the non-compliance continues. Any Power Generation Customer with inadequate alternate fuel or energy reserves as of November 1 of each year will similarly be subject to the above-described charge.

The published distillate fuel index price shall be based on the average New York Harbor "Spot Product Prices" for the applicable fuel oil, as published in The Journal of Commerce on each day of the month commencing November 1 and continuing until such time that the Customer is in compliance.

- (c) Customers with inoperable dual-fuel facilities, including associated Customer-installed phone lines, will be entitled to a forty-eight (48) hour grace period to correct the condition, after which time they will be billed for the difference between (a) 130% of the higher of the applicable alternate fuel prices, or the applicable Interruptible or Off-Peak Firm sales rate, and (b) the applicable Interruptible or Off-Peak Firm sales

rate. The charge will be applied to all gas consumed during the billing period in which there is non-compliance with the interruption and for any subsequent billing periods during which the condition is not corrected. In addition, if the Customer is unable to operate its dual-fuel equipment during periods of interruption, it would also be subject to an Unauthorized Use Charge equal to the higher of (i) Two times the sum of the "market gas price" plus the applicable Interruptible or Off-Peak Firm transportation rate; or (ii) Nine times the applicable Interruptible or Off-Peak Firm sales rate; (For a definition of "market gas price" see Section V.F.2 – Unauthorized Use of Gas).

The alternate fuel price shall be based on the average New York City "Posted Tank Wagon Delivery – Fuel Oil" cost for the applicable fuel oil, as published in The Journal of Commerce on the first day of each month commencing November 1 and continuing until such month that the Customer is in compliance.

F. Interruption of Firm, Off-Peak Firm, Power Generation and Interruptible Sales and Transportation Services

1. Notification of Service Interruptions

- (a) The Company will provide six (6) hours advance notice of a service interruption to Interruptible Sales Customers who have opted for notification, to Off-Peak Firm Sales Customers, and Interruptible and Off-Peak Firm Transportation Customers by:

1. Mass Notification by Telephone

An automated telephone message will provide the date and time of an interruption and any necessary Company contact information. The Customer is required to confirm receipt of the interruption notice by entering a verification code given at the end of the message.

and/or

2. Fax Notification

A fax message containing interruption information will be sent to each customer.

- (b) The Company will use these same methods to notify Customers that they may resume using natural gas when an interruption is concluded.

The Company will use at least one of the methods listed above to notify customers.

- (c) **In addition, as a courtesy, the Company will notify customers by email and text messaging, if contact information is provided by the customer.**

- (d) During the Winter Period, the Company will maintain a telephone hotline (Gas Interruption Hotline) where a Customer can obtain information or leave a message regarding a pending or existing interruption. This recorded message can be accessed by calling **(212) 460-3459**.

- (e) The Company will notify the Director of the Office of Gas and Water at the New York State Department of Public Service. This notification will be done via e-mail and telephone.

2. Two Violation Rule

The following is applicable to Interruptible or Off-Peak Firm Customers that choose the notification or temperature-control option as their method of interruption.

For each Winter Period, if an Interruptible or Off-Peak Firm Customer fails to fully interrupt its use of gas (except for any permitted use of gas for ignition purposes) for two (2) interruption periods (including any planned interruption) ("two-violation rule"), the Company will notify a Customer in a certified letter, return receipt requested that it will transfer that Customer to the otherwise applicable Firm service classification commencing with the billing month following the month in which the second violation occurs unless the Customer chooses to terminate service at that time. A Customer choosing to terminate gas service must notify the Company in writing at least ten (10) days prior to the start of the billing month in which the Customer is scheduled to be transferred to firm service.

Customers transferred to firm service due to having committed two violations will not be permitted to return to Interruptible or Off-Peak Firm service for the remainder of the current Winter Period plus the next twelve succeeding months. For periods thereafter, the Customer may be eligible to reapply for Interruptible or Off-Peak Firm service by completing the new "Customer Application for SC 9 and SC 12 Interruptible or Off-Peak Firm Transportation and Sales Service" contained in Appendix C of this procedure. Such application must be submitted to the Company not less than 90 days prior to the proposed commencement date, except that the Customer may not request a commencement date that falls within the period from November 1 through March 31.

A Customer's failure to interrupt its use of gas due to inoperable dual-fuel facilities counts as a violation towards the two-violation rule with one exception for each Winter Period.

Criteria for One Equipment Failure Exception to Rule

On one occasion during each Winter Period a Customer's failure to interrupt the use of gas due to documented inoperable dual-fuel facilities will not be counted as a violation provided that the Customer:

- (a) notifies the Company (leave message on Gas Interruption Hotline at 212-460-3459) within one (1) hour of the failure of its equipment;
- (b) repairs and makes operable its dual-fuel equipment within forty-eight (48) hours of the equipment's failure; and
- (c) provides the Company with an affidavit or other sufficient documentation (e.g., repair bill from plumber service company) that it has repaired and made operable its dual-fuel equipment and immediately complies with the earlier of the ongoing interruption or a separate planned interruption.

All three conditions listed above must be satisfied for this exception to the two-violation rule to apply.

The Company will extend the one-time 48-hour repair deadline for a period not to exceed seven (7) days provided the Customer demonstrates to the Company's satisfaction that

such extension was necessary due to the unavailability of a part and its installation during such 48-hour repair period.

During the 48-hour repair period or if applicable, the extended 7-day repair period, the Customer will be subject to other applicable unauthorized use charges, an alternate fuel or energy non-compliance charge, minimum charges and imbalance charges as set forth in this Gas Sales and Transportation Operating Procedures or Service Classification No. 09 of the Gas Tariff (excluding the non-compliance charge set forth above for inoperable dual-fuel facilities provided the Customer makes operable its dual fuel facilities within the applicable repair period).

2. Unauthorized Use of Gas

- (a) Except as noted below, an Interruptible or Off-Peak Firm Sales or Transportation Customer subject to notification who fails to switch to its alternate energy supply during a period of interruption, or Temperature-Control Customer who continues to use gas below the temperatures specified in the pre-season Customer notification letter, will be subject to an Unauthorized Use Charge of equal to the higher of (i) Two times the sum of the "market gas price" plus the applicable Interruptible or Off-Peak Firm transportation rate; or (ii) Nine times the applicable Interruptible or Off-Peak Firm sales rate.

The "market gas price" shall be equal to the daily midpoint price of Transco Zone 6 (NY-City gate) as set forth in the publication entitled Platt's "Gas Daily" on the day of interruption. If the interruption is longer than 24 hours the average of the daily midpoint prices on the days of interruption will be utilized.

For Interruptible or Off-Peak Firm Customers (applies to both Sales and Transportation Customers) the Unauthorized Use Charge shall apply to all gas consumed in excess of 2 therms per hour during the hours of a service interruption.

- (b) A Power Generation Customer, who fails to switch to its alternate energy supply during a period of interruption, shall be subject to Unauthorized Use Charge equal to the higher of (i) 120% of the applicable wholesale electric market price; (ii) \$4.50 per therm; or (iii) \$2.50 per therm plus a market gas price.

The market gas price shall be equal to the absolute high price of Transco Zone 6 (NY) gas as set forth in the publication entitled "Gas Daily" on the day of interruption.

The wholesale electric market price shall be the Real Time Locational Based Marginal Price ("LBMP") at the Customers' generator bus.

For a Power Generation Customer, the Unauthorized Use Charge shall apply to all gas consumed during a period when transportation is interrupted and any gas consumed in excess of the Customer's Daily Transportation Quantity, exclusive of the allowance for losses, on a day when the Company declares an OFO.

- (c) A Contract Interruptible or Off-Peak Firm Industrial Customer, who fails to switch to its alternate energy supply during a period of interruption, shall be subject to an Unauthorized Use Charge equal to two times the Unauthorized Use Charge applicable to Interruptible or Off-Peak Firm Customers set for in (a) above.

- (d) Charges for Unauthorized Use shall be increased by the applicable percentage Increase in Rates and Charges, in accordance with General Information Section VIII of the Gas Tariff.

4. Short-Term, Long-Term Interruptions and Force Majeure

In the event of (a) a short-term interruption or force majeure condition threatens to impair deliveries and/or sales to firm Customers and (b) gas supply is otherwise available and received by the Company for delivery to non-firm Customers, the Company shall have the right to divert such gas supply as necessary to avoid such impairment of deliveries and/or sales to firm Customers. Gas Marketers of dual-fuel transportation Customers will be notified through the Internet, by fax or phone as timely as conditions allow that their gas deliveries shall be diverted to firm Customers.

The Customer(s) from whom gas supply is diverted will be compensated in accordance with the following methodology. Except as otherwise provided pursuant to prior agreement with the affected Customer(s) or any pre-existing negotiated contract service agreement, such compensation shall be based on the replacement cost of fuel. If gas is diverted from a Customer who must switch to an alternate fuel, the replacement cost of fuel shall be the market value of the equivalent quantity of such alternate fuel on the days(s) of such diversion. When gas is diverted to serve firm sales service classifications, payments made by the Company will be recovered through the gas adjustment clause. When gas is diverted to serve a firm transportation Customer, that Customer will reimburse the Company for its payments.

Section III, Subsection 14 "Gas Service Curtailments" of the Company's Tariff describes the order of curtailment of Sales and Transportation Customers related to (i) gas supply deficiencies (sub-paragraph B); (ii) transportation capacity deficiencies (other than interstate pipeline transmission lines) (sub-paragraph C); and (iii) the diversion of non-firm Customer-owned gas in the event of a short-term interruption or force majeure condition (sub-paragraph D).

To the extent that a Firm, Interruptible or Off-Peak Firm Transportation Customer takes volumes in excess of nominated and delivered volumes during an OFO declared by the Company, the SC No. 20 Seller shall be subject to balancing and penalty charges. In the event of a long-term curtailment, the Company will establish for each transportation customer a base level of usage, above which a penalty will be assessed. The base level of usage will be calculated by averaging historical weather normalized usage over three years or will be estimated based on the average of available historical weather normalized usage.

G. Summary of Applicable Fees, Charges and Penalties

1. Billing Questions and Disputes

- (a) All Marketer questions concerning invoices should be directed to Transportation Services (212) 227-2224. This department will direct the inquiry to the appropriate area of responsibility and procure the necessary answers and/or explanations.
- (b) Claims that invoices are not correct must be made in writing and postmarked no later than three months after the disputed invoice was mailed or provided electronically.
- (c) Responses to billing inquiries will be acknowledged in writing or by electronic transmission promptly, but no later than five working days from

Con Edison's receipt of the inquiry. Con Edison will investigate and respond to the complaint, in writing, no later than 20 calendar days from the receipt of the inquiry.

2. Invoices

In accordance with Section 7 of the UBP, invoices will be issued to a Marketer for Marketer's monthly imbalance services, extraordinary Customer data provided on request (over and above the information provided without charge), meter-related charges, adjustments to prior invoices, CUBS billing service charges, and other services provided on request.

3. Overpayments

- (a) Overpayments made by a Marketer as a result of an inaccurate invoice or as determined through the Dispute Resolution Process, shall be credited to the Marketer's account if a prior shortage exists or be refunded otherwise. Such credit or refund must occur within five calendar days of a determination that an overpayment occurred. Such overpayments shall earn interest at the rate of 1.5% per month from the date of the overpayment until the date of the credit or repayment, whichever applies. The refund shall be rendered to the Marketer by electronic funds transfers.
- (b) Overpayments made voluntarily by a Marketer/Direct Customer shall be credited to the Marketer's account and shall not earn interest unless the overpayment is applied to the security deposit account.

4. Charges to Marketers from the Company

Utilities may charge Marketers/Direct Customer for the following:

- (a) Gas imbalances, based on the Company's Tariff and/or Operating Procedures.
- (b) Penalties on gas imbalances during an OFO.
- (c) Late payment charges, at a rate of 1.5% per month, applicable to all overdue-billed amounts, including arrears and unpaid late payment charges and to underbilled amounts. Interest on the latter is only payable when associated with a finding of deficiency on the part of the party holding the funds determined to be due the other party.
- (d) Other rates and charges approved by the Public Service Commission and set for in the tariff, including, but not limited to, transportation or distribution rates, miscellaneous surcharges and taxes.