

..DID: 17928

..TXT:

December 19, 2001

ORANGE AND ROCKLAND UTILITIES, INC.
4 Irving Place
New York, NY 10003

Hon. Janet Deixler
Secretary
State of New York
Public Service Commission
Three Empire State Plaza
Albany, NY 12223

Re: Case 00-M-1556 - In the Matter of the Proposed Accounting and Ratemaking
for the Tax Law Changes Included in the 2000-2001 New York State Budget

Dear Secretary Deixler:

Orange and Rockland Utilities, Inc. ("O&R" or "the Company") hereby files changes to its Schedule for Gas Service, P.S.C. No. 4 – GAS, in compliance with the Public Service Commission's "Order Implementing Tax Law Changes On A Permanent Basis" (the "Order") issued June 28, 2001 in the above-referenced proceeding.

The changes to the Company's Schedule for Gas Service are set forth in the following revised tariff leaves and statement issued December 19, 2001, to become effective January 1, 2002:

Leaf 92 Revision 4
Leaf 93 Revision 2

Statement of Increase in Rates and Charges No. RTS - 13

Summary of Tariff Changes

In compliance with the Order, the Company has made the following changes to General Information Section 15 "Increase in Rates in Municipality Where Service Is Supplied":

- ! A new provision (subparagraph 15.2) has been added to provide for the recovery of the new State Income Tax expense imposed on the Company under New York State Tax Law Section 209. The surcharge factor designed to recover the State Income Tax expense will be applied to the "Delivery Charge" under firm Service Classifications Nos. 1 and 2 and the "Transportation Charge" under Service Classification No. 6. This approach of applying the surcharge to the delivery component of customers' bills is consistent with the Commission's stated intent to ultimately incorporate the State Income Tax expense in base rates (the Order, page 15). The attached worksheet shows the derivation of the State Income Tax surcharge factor effective January 1, 2002.**
- ! Subparagraph 15.4 has been revised to provide for the recovery of the tax expense imposed on the Company under the changes to New York State Tax Law Section 186-a that became effective on January 1, 2000. The tariff revisions include definitions of "commodity rates and charges" and "delivery rates and charges" to reflect the law's separate tax rates applicable to the commodity and delivery components of utility service. This subparagraph also provides for the application of separate tax rates for residential and non-residential delivery rates that are applicable to both full service customers and customers who purchase gas from Marketers participating in the Company's Gas Transportation Service Program.**
- ! The "Statement of Increase in Rates and Charges" has been revised to reflect the changes described above.**

Questions concerning this filing can be directed to me at (212) 460-3308.

Sincerely,

**William A. Atzl, Jr.
Manager – Electric and Gas Rate Design**