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May 15, 2000

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.  
4 Irving Place  
New York, NY 10003

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

Dear Secretary Deixler:

Enclosed for filing with the Public Service Commission ("the Commission") are revised schedule leaves issued by Consolidated Edison Company of New York, Inc. ("Con Edison" or "the Company") to reflect revisions to the Company's Schedule for Gas Service, P.S.C. No. 9 - Gas. Specifically, the revisions relate to the Gas Adjustment Clause ("GAC").<sup>1</sup> Appendix A identifies the tariff leaves being revised.

The tariff leaves are issued May 15, 2000 to become effective August 1, 2000.

**Summary of the Tariff Changes**

The Company is proposing to modify its GAC: (a) to conform the accounting practices of the GAC with Con Edison's on-going joint administration of natural gas supplies for itself and for Orange and Rockland Utilities, Inc. ("O&R") (Con Edison and O&R are jointly referred to as "Companies"), and (b) to conform the GAC with the Commission's "Memorandum and Resolution" revising 16 NYCRR Section 270.55 issued and effective April 13, 1999.

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<sup>1</sup> Orange & Rockland is concurrently submitting comparable revisions to its gas adjustment clause.

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Con Edison currently provides O&R with a gas supply management service. Con Edison provides this service as agent for O&R. In that capacity, Con Edison administers the gas purchase and transportation contracts held by O&R and supplies delivered gas to the O&R system. Con Edison also forecasts O&R's customer loads, nominates and schedules gas for delivery to O&R, and provides O&R with a monthly accounting of gas supply and usage.

As contemplated and authorized by the Commission order approving the merger of Con Edison and O&R, Con Edison and O&R have established a combined gas supply portfolio.<sup>2</sup> The combined portfolio is and will be administered by Con Edison's Gas Supply Department (or by an organization that succeeds to the responsibilities of that department) in a manner that minimizes the total cost to the Companies and in accordance with the Gas Supply Administration procedure authorized by the Merger Order.<sup>3</sup>

Upon effectuation of the proposed tariff leaves, Con Edison and O&R will establish a common cost of gas predicated upon their combined gas supply portfolio. In accordance with the proposed tariff leaves, the total cost of gas for the Companies under the combined gas supply portfolio will be determined on a monthly basis and will reflect fixed and variable gas supply costs, including the cost of gas purchases, storage, pipeline transportation, and LNG and propane.

The Merger Order correctly approved the establishment of a combined gas supply portfolio as advancing the public interest. The merging of the Companies' gas supply portfolios has already facilitated economic benefits. For example, it enabled the Companies to terminate certain pipeline transportation contracts and avoid the associated demand charges. The proposed establishment of a common cost of gas will facilitate the equitable allocation of costs incurred under the combined portfolio between the Companies.

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<sup>2</sup> Joint Petition of Consolidated Edison, Inc., Consolidated Edison Company of New York, Inc. and Orange and Rockland Utilities, Inc. for Approval of Certificate of Merger and Stock Acquisition, Case 98-M-0961, *Order Authorizing Merger* (April 2, 1999) ("Merger Order").

<sup>3</sup> Section II (F) of the March 8, 1999 Settlement Agreement which was approved by the Merger Order authorized the establishment of procedures for the joint administration of the Companies' gas supplies and for the allocation of related costs. In accordance with that settlement provision, the Gas Supply Administration Procedure was submitted to and reviewed by the Commission Staff. The Companies are revising that procedure to reflect an allocation of the revenues from off-system transactions consistent with this filing.

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### **Tariff Modifications**

A. The average cost of gas which forms the basis for the monthly gas adjustment has been modified by adding provisions stating that gas is purchased under a common supply portfolio for both companies and that the total fixed and variable costs will be apportioned to each company as follows:

a. Fixed Costs

- i. The total fixed demand costs of the combined portfolio, excluding capacity costs associated with the Companies' balancing and standby services provided to firm transportation customers, will be apportioned between the Companies based on the ratio of each Company's fixed costs preceding the implementation of the combined portfolio, i.e., as of June 30, 2000 assuming an implementation date of August 1, 2000 <sup>4</sup>. The fixed costs of both Companies will be developed by applying the fixed rates and charges of the transporter, storage providers, and suppliers to annual billing determinants associated with pipeline capacity, storage capacity and purchase gas contract entitlements.
- ii. Each Company's allocated share of fixed costs will continue to be reduced by revenues from the release of capacity. Capacity release revenues shall be allocated between the Companies in proportion to (a) their relative monthly transportation-service volumes and (b) their relative excess sales capacity volumes, subject to paragraph (c) below. Existing individual company and firm ratepayer sharing will be maintained.
- iii. The cost of assets needed for balancing and standby services for firm transportation customers (referred to as load following, standby supply and marketer area standby services in Con Edison's tariff) will be allocated between the Companies based on the ratio of each Company's balancing costs preceding the implementation date of the combined portfolio.

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<sup>4</sup> Based on current fixed costs for each Company, the ratio would be 80% to Con Edison and 20% to O&R. The fixed ratio will be reviewed periodically and updated to recognize among other things the costs associated with any new capacity contracts entered into by the Companies after June 30, 2000.

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- iv. The Company's apportioned share of the fixed cost components in (i) to (iii) above will be divided by the annual forecast quantities of gas to be taken for delivery to the Company's firm sales customers.
  - b. Variable Costs
    - i. The total variable costs of the combined portfolio will be allocated between the Companies in proportion to their respective firm sales sendout quantities. The variable costs for both Companies will be determined by applying the variable rates and charges of the transporters, storage, and peaking providers and suppliers to the billing determinants associated with transportation, storage and peaking and gas supply for the forecasted weather normalized quantities of gas to be taken for delivery to the Company's firm sales customers during the month in which the gas adjustment will be in effect adjusted further for the cost associated with risks management programs.
    - ii. The Company's apportioned share of the variable cost component will be divided by the forecasted weather normalized quantities of gas to be taken for delivery to the Company's firm sales customers during the month in which the gas adjustment will be in effect.
  - c. Total Average Cost of Gas

The total average cost of gas per therm will be equal to the sum of the fixed and variable components in (a) and (b)
- B. The revenues from off-system bundled sales will be allocated between the Companies in the same manner as capacity release revenues. The Company's gas cost will be reduced by the customer's share of the Company's allocated bundled-sales revenues, through the Interruptible Sales Credit in accordance with each Company's current practice, except for bundled-sales revenues credited through the Transition Surcharge.
- C. The Companies will continue to determine their Transition Surcharge amounts in the same manner as they are currently determined based on each Company's apportionment of fixed costs and capacity release revenues as described in (A) above and total upstream capacity (dth). Total upstream capacity (dth) will be allocated between the companies in proportion to their respective capacity volumes as of June 30, 2000 assuming an

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implementation date of August 1, 2000 for the combined portfolio. Each Company will report its individual surcharge amount in its GAC filing, in accordance with its current procedures.

- D. The provision dealing with the annual surcharge or refund has been revised to indicate that such surcharge/refund will become effective in January instead of December and a new provision has been added to provide for interim reconciliations to prevent large over/under collections balances from accruing at August 31.
- E. The provision describing the application of the gas adjustment to the customer's bill has been changed to provide for proration based on the number of days each gas adjustment is in effect during the billing period.
- F. A new provision has been added which allows the Company to file a new statement on one day's notice to become effective not more than five days after the initial effective date if the replacement of cost estimates in the initial statement with actual figures results in a change in the average cost of gas of more than five percent.

Respectfully submitted,

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

By: \_\_\_\_\_

Edwin W. Scott  
Vice President and  
Deputy General Counsel

Enclosures

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**CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.**

**PSC No. 9 Gas**

First Revised Leaf No. 155.0  
Superseding Original Leaf No. 155.0

Fifth Revised Leaf No. 156.0  
Superseding Fourth Revised Leaf No. 156.0

First Revised Leaf No. 157.0  
Superseding Original Leaf No. 157.0

First Revised Leaf No. 158.0  
Superseding Original Leaf No. 158.0

Fourth Revised Leaf No. 159.0  
Superseding Third Revised Leaf No. 159.0

First Revised Leaf No. 160.0  
Superseding Original Leaf No. 160.0

First Revised Leaf No. 161.0  
Superseding Original Leaf No. 161.0

First Revised Leaf No. 162.0  
Superseding Original Leaf No. 162.0

First Revised Leaf No. 163.0  
Superseding Original Leaf No. 163.0

First Revised Leaf No. 164.0  
Superseding Original Leaf No. 164.0

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**CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.**

**PSC No. 9 Gas**

Fourth Revised Leaf No. 165.0  
Superseding Third Revised Leaf No. 165.0

First Revised Leaf No. 166.0  
Superseding Original Leaf No. 166.0

Fourth Revised Leaf No. 183.1  
Superseding Third Revised Leaf No. 183.1