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February 14, 2001

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

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

**Re: Case No. 00-G-1456 - Response of Consolidated Edison Company of New York, Inc.
to Gas Policy Statement**

Dear Secretary Deixler:

Consolidated Edison Company of New York, Inc. ("Con Edison" or "Company") is filing today with the Public Service Commission ("the Commission") amendments to its Schedule for Gas Service, P.S.C. No. 9 – Gas to establish a Virtual Storage Option Service ("VSOS") and an Imbalance Trading Service ("ITS"). Revisions to the Company's Sales and Transportation Operating Procedures Manual will also be submitted under separate cover to Commission Staff. These amendments are set forth in the following tariff leaves and Statement of Balancing Service Charges that are issued February 14, 2001 to become effective February 15, 2001 (for the VSOS) and April 1, 2001 (for the ITS) in compliance with the Commission's November 29, 2000 Order approving the Interim Settlement Agreement, dated November 7, 2000 ("Settlement Agreement") in the above-referenced case.

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Third Revised Leaf No. 260
Superseding Second Revised Leaf No. 260

Second Revised Leaf No. 262
Superseding First Revised Leaf No. 262

Second Revised Leaf No. 263
Superseding First Revised Leaf No. 263

First Revised Leaf No. 389
Superseding Original Leaf No. 389

Original Leaf No. 389.1

Original Leaf No. 389.2

Original Leaf No. 389.3

Original Leaf No. 389.4

Third Revised Leaf No. 390
Superseding Second Revised Leaf No. 390

Statement of Balancing Service Charges No. 6

Reasons for the Proposed Changes

On July 19, 2000, the Company filed its response to the Commission's November 3, 1998 Gas Policy Statement in Cases 93-G-0932 and 97-G-1380. Included in that response were two proposals, namely, the initiation of VSOS and ITS. In compliance with the Commission's Order that approved the Company's Settlement Agreement, the Company is filing changes to its gas tariffs to offer these two services commencing on April 1, 2001.

Summary of Proposed Changes

Virtual Storage Option Service ("VSOS")

Under VSOS, a Direct Customer or Seller will be able to deliver gas during the summer period (April 1 through October 31) to the Company's Citygate in excess of its customer(s)' daily delivery requirements¹. Such excess gas will be credited to a virtual storage account for the

¹ The daily delivery requirements are the (a) daily load following quantity for Load Following Service; (b) the daily load or revised daily load quantity for Daily Delivery Service; and the (c) the daily delivery service quantity for Daily Cashout Service.

Direct Customer or Seller. During the winter period (November 1 through March 31), the Company will re-deliver gas to the Direct Customer or Seller in the Production Area.

The maximum VSOS capacity available to a Direct Customer or Seller will be based on a fixed percentage of the sum of its firm customer(s)' average daily usages for June through September of the preceding year multiplied by the number of days in the winter period (151 days). The maximum daily quantities of gas that the Direct Customer or Seller will be allowed to deliver during the summer period and have re-delivered during the winter period will be based upon the Direct Customer's or Seller's elected allocation of VSOS capacity. The Company will establish the seasonal maximum daily quantity delivery and re-delivery limits by February 15th of each year and reflect them in its Sales and Transportation Operating Procedure Manual. The aggregate quantity of virtual storage, that the Company will make available to Sellers and Direct Customers for virtual storage for the April 1, 2001 through March 31, 2002 period is 3,000,000 Dth.

Any unused gas remaining in a Direct Customer's or Seller's virtual storage account at the end of each winter period may, at the Direct Customer's or Seller's option, either be carried over to its VSOS account for the next winter period, provided that Direct Customer or Seller has subscribed to VSOS for an equal or greater quantity for the following year, or be cashed out by the Company at a Company Receipt Point price in the Production Area. As explained in the Company's July 19, 2000 filing, Direct Customers or Sellers taking the VSOS will be subject to a virtual storage charge, variable delivery charges, and a backhaul charge, where applicable. The charges are set forth on the enclosed Statement of Balancing Service Charges.

Imbalance Trading Service ("ITS")

Under ITS, the Company will permit Sellers and Direct Customers to trade end-of-month imbalances at specific pipeline citygate points in order to provide Sellers and Direct Customers with the opportunity to reduce their responsibility for end-of-month cash-out and penalty charges. Imbalance trading will be permitted among firm, interruptible, and off-peak firm customers. Imbalance trading will be limited to imbalances incurred during the same calendar month. Sellers and Direct Customers electing to trade imbalances will take the full risk of their trades. For example, consumption data for interruptible and off-peak firm customers will be determined in the calendar month following the month of deliveries while the consumption data for firm customers and their imbalance position will not be determined until the subsequent calendar month.

Imbalance trading among firm, interruptible and off-peak firm customers will be conducted for one year as a pilot program. During that period the Company will monitor the program and consult with Staff and the Signatory Parties to the Settlement Agreement on the results of the program, including costs of administering the program, in connection with the Company's determination whether continuation of the program and the imposition of an administrative fee are feasible and/or warranted.

Emergency Waiver of Provisions of the State Administrative Procedure Act

The Company respectfully requests that the Commission grant it emergency waiver of the normal notice provisions and newspaper publication requirements under the State Administrative Procedure Act since this filing is being made in compliance with the Commission approved Settlement Agreement.

Very truly yours,

Joel H. Charkow
Director
Rate Engineering Department