

PSC NO: 9 GAS
CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
INITIAL EFFECTIVE DATE: October 1, 2004

LEAF: 157
REVISION: 7
SUPERSEDING REVISION: 5

STAMPS: Issued in compliance with order in Case 03-G-1671 dated September 27, 2004

GENERAL INFORMATION – Continued

VII. Gas Cost Factor and Monthly Rate Adjustment - Continued

(A) Gas Cost Factor Components - Continued

1. Average Cost of Gas - Continued

(b) Variable Costs

Variable gas costs include purchased gas costs (including gas costs incurred in connection with capacity that enables the Company to offer Capacity Release Service), storage and peaking gas costs, cost of alternate gas supplies, (e.g., liquefied natural gas, liquefied propane gas and propane air), variable transportation costs, fuel retention costs, applicable surcharges and taxes, and the costs of financial hedging instruments associated with transactions intended to reduce price volatility to customers (e.g., transaction costs, such as option premiums, costs of providing credit support and margin requirements, and professional fees, and gains and losses associated with such transactions made in the commodities exchanges and with other counterparties).

The variable costs shall be allocated between the Companies in proportion to their respective monthly firm sales sendout quantities and the applicable portion of monthly sendout to the Company's steam and steam-electric units. The variable costs shall be determined by:

- (i) 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 Firm Sales Customers and to the Company's steam and steam-electric units during the month in which the Gas Cost Factor will be in effect, plus
- (ii) applying the average unit cost of gas in storage at the date of computation to the quantities of gas estimated to be withdrawn from storage for both Companies' Firm Sales Customers and to the quantities of gas estimated to be withdrawn from storage for the Company's steam and steam-electric units during the month in which the Gas Cost Factor will be in effect.

The Company's apportioned share of variable costs, less variable costs allocated to the Company's steam and electric customers, shall 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 Cost Factor will be in effect.

(General Information - Continued on Leaf No. 157.1)

Issued By: ~~Joan S. Freilich, Executive Vice President & Chief Financial Officer, 4 Irving Place, New York, N. Y. 10003~~

(Name of Officer, Title, Address)