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

May 15, 2000

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

Re: Revisions to Gas Adjustment Clause to Implement Combined Gas Purchasing Function

Dear Secretary Deixler:

Orange and Rockland Utilities, Inc. ("O&R" or the "Company") hereby submits for filing the following tariff leaves proposing revisions to its Schedule for Gas Service P.S.C. No. 4 - GAS.

Leaf No. 72	Revision 3	Leaf No. 78	Revision 3
Leaf No. 73	Revision 9	Leaf No. 79	Revision 5
Leaf No. 74	Revision 4	Leaf No. 80	Revision 6
Leaf No. 75	Revision 4	Leaf No. 80.1	Revision 7
Leaf No. 76	Revision 3	Leaf No. 80.2	Revision 1
Leaf No. 77	Revision 4	Leaf No. 80.3	Revision 0

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

The purpose of this filing is to make revisions to the Company's Gas Adjustment Clause ("GAC") necessary for the implementation of a combined gas purchasing function with Consolidated Edison Company of New York, Inc. ("Con Edison").[1]

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 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.

[1] Con Edison 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.[2] 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.[3]

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, balancing 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 costs incurred under the combined portfolio between the Companies.

Tariff Modifications

The Company's gas adjustment clause ("GAC") has been modified as follows:

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 cost will be apportioned to each company as follows:

1) Fixed Costs

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[2] 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").

[3] 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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a) The total fixed demand costs of the combined portfolio, excluding the costs of assets needed to provide balancing service for 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 [4]. The fixed costs of both Companies will be developed by applying the fixed rates and charges of the transporters, storage providers, and suppliers to annual billing determinants associated with pipeline capacity, storage capacity and purchased gas contract entitlements.

b) 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. Existing individual company and firm ratepayer sharing will be maintained.

c) The costs of assets needed for balancing service for firm transportation customers (referred to as load following in the Con Edison tariff) shall be allocated between the Companies based on the ratio of each Company's balancing (load following) costs preceding the implementation of the combined portfolio.

d) The Company's apportioned share of the fixed cost components in a, b and c above will be divided by the annual forecast quantities of gas to be taken for delivery to the Company's firm sales customers.

2) Variable Costs

a) 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 of 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 risk management programs.

b) The Company's apportioned share of the variable cost component will be divided by the forecasted weather

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[4] Based on current fixed costs for each Company, the ratio would be 80% to Con Edison and 20% to O&R. The fixed cost ratio will be revised 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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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.

3) Total Average Cost of Gas

The total average cost of gas per ccf will be equal to the sum of the fixed and variable components in (1) and (2).

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 customers' share of the Company's allocated bundled-sales revenues, through the Credit/Surcharge for Interruptible and Firm Dual Fuel Sales and Transportation Service Benefits, in accordance with current practice, except for bundled-sales revenues credited through the Transition Surcharge.

C) The Companies will continue to determine their Transition Surcharges 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 implementation date of August 1, 2000 for the combined portfolio. Each Company will report its individual surcharge amount in its monthly GAC filings, in accordance with its current procedures.

D) The Annual Reconciliation provision has been revised to indicate that the 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) 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.

Included with this filing are the SAPA notice and General Filing Information Form. The Company shall publish notice of this filing in accordance with 16 NYCRR 270.70.

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

Very truly yours,

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