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May 24, 1999

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

Hon. Debra Renner
Acting Secretary
State of New York
Public Service Commission
Three Empire State Plaza
Albany, NY 12223

Dear Secretary Renner:

Subject: Case 98-G-1785, et. al - In the Matter of the Allocation by Local Distribution Companies of Strandable Gas Capacity Costs Caused by Customers Migrating from Sales to Transportation Service

Pursuant to the Commission's "Order Concerning Recovery Of Stranded Capacity Costs" issued and effective February 22, 1999, in the above captioned proceeding, Consolidated Edison Company of New York, Inc. ("Con Edison" or the "Company") herewith files amendments to its Schedule for Gas Service to provide for the recovery of system reliability costs from Service Classification No. 9 firm transportation customers. Concurrent with this revision, the Company is also proposing amendments to pass-through to firm transportation customers the same capacity release and upstream credits that are currently being passed-on to sales customers.

The tariff leaves and applicable statement affected by this filing are shown on Appendix A and bear an effective date of July 1, 1999.[1]

[1] The Commission's order directs that this filing be made on thirty days notice which would make the effective date June 23. The Company respectfully requests that the revisions proposed herein be allowed to become effective on July 1 to avoid having to prorate bills across two rate changes, i.e., the instant rate change and the rate change that is expected to take effect on June 1 as a result of the Company's planned merger with Orange and Rockland Utilities.

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Reasons For Tariff Changes

The Commission's February 1999 order directed major gas corporations to review their tariffs to insure that transportation customers are paying their fair share of system reliability costs and, if necessary, to change their tariffs accordingly. Con Edison has concluded that, in order to maintain system reliability under the current statutory and regulatory structure, the Company should maintain upstream firm transportation assets equal to twenty (20) percent of the maximum pipeline capacity required for deliverability to firm sales and firm transportation customers. As the market evolves and firm customers migrate to transportation, the Company must be prepared for customers returning to sales service either on their own accord or because a marketer has decided to stop selling gas to customers in the Company's service territory, both of which have occurred on the Company's system.[2] Also, the Company cannot ignore the possibility of a marketer failing to meet its delivery obligations. Without the back-up capacity to serve the marketer's customers, all customers on the Company's system would be affected (since the Company is unable to isolate the impact of such underdeliveries to that marketer's customers) and system reliability would be jeopardized. As retail access evolves, the Company intends to revisit this 20% figure and propose changes as warranted.

Summary of The Proposed Changes

The Company has concluded that, in order to maintain system reliability, it will require standby firm transportation capacity equivalent to at least 20% of maximum deliverablity to all firm customers. Based on the current weighted average cost of capacity, this amounts to $19.2 million in upstream firm transportation assets. The Company believes that this cost should be borne equally between firm sales and firm transportation customers. At present, firm sales customers are paying for all of these assets through a combination of base rates and the Gas Adjustment Clause. In this filing, tariff revisions have been made to Service Classification No. 9 Firm Transportation rates to allow firm transportation customers to share in the cost of reliability. Reliability costs have been allocated to the firm transportation classes employing the same methodology used in allocating upstream costs to the Company's sales rates that became effective October 1, 1997. The resultant rates reflect an average system reliability cost of 1.94

cents per therm with a range between 1.42 cents and 2.28 cents across classes. The proposed base rates will be subject to a monthly surcharge or credit to reflect changes in the current cost of

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2 See Case 93-G-0932, Order Clarifying April 1998 Excess Capacity Filing Requirement, issued and effective September 4, 1997, where the Commission stated that

> We note that LDCs currently have the provider of last resort responsibility and therefore must be prepared for the possible return of customers that have converted to transportation. However, this does not mean that they must maintain full back-up capacity for those customers. It is highly unlikely that large numbers of customers will return to LDC sales service; if they do, their former capacity should become available in the primary or secondary markets, albeit at a market price. If a large percentage of the customer base converts, LDCs will likely need to maintain some level of back-up capacity for those customers but that level would be expected to be substantially less than what would be required to serve the entire load.

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reliability assets from the average system reliability cost included in base rates (1.94 cents per therm). The transition surcharge mechanism which allows for the recovery of strandable upstream capacity costs will also be revised to deduct reliability-related costs from total upstream capacity costs since these costs will now be recovered through the base rates to both sales and transportation customers.

The Company also proposes to flow-through to each firm transportation customer the same level of capacity release benefits and other related revenue credits it would receive as a sales customer. Assuming current credit levels, customers will experience bill reductions averaging 2.0 cents per therm. The surcharge or credit related to variations in current reliability costs plus capacity release benefits shall be reflected as a separate surcharge or credit to the monthly rate adjustment mechanism.

Notices

The Company hereby requests waiver of the requirements for newspaper publication in advance of the proposed tariff changes.

Respectfully submitted,

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

By: ____________

Edwin W. Scott

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CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

PSC NO. 9 GAS

First Revised Leaf No. 5.0
Superseding Original Leaf No. 5.0

Third Revised Leaf No. 156.0
Superseding Second Revised Leaf No. 156.0

Third Revised Leaf No. 159.0
Superseding Second Revised Leaf No. 159.0

First Revised Leaf No. 175.0
Superseding Original Leaf No. 175.0

First Revised Leaf No. 176.0
Superseding Original Leaf No. 176.0

First Revised Leaf No. 177.0
Superseding Original Leaf No. 177.0

First Revised Leaf No. 178.0
Superseding Original Leaf No. 178.0

First Revised Leaf No. 179.0
Superseding Original Leaf No. 179.0

First Revised Leaf No. 180.0
Superseding Original Leaf No. 180.0

First Revised Leaf No. 181.0
Superseding Original Leaf No. 181.0

Second Revised Leaf No. 183.1
Superseding First Revised Leaf No. 183.1

Original Leaf No. 183.2

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CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

PSC NO. 9 GAS

First Revised Leaf No. 272.0
Superseding Original Leaf No. 272.0

First Revised Leaf No. 273.0
Superseding Original Leaf No. 273.0

First Revised Leaf No. 274.0
Superseding Original Leaf No. 274.0

First Revised Leaf No. 301.0
Superseding Original Leaf No. 301.0

Statement of Area Development
Transportation Phase-Out Rates No. 1