

..DID: 8721
..TXT:

May 24, 1999

Honorable Debra Renner
Acting Secretary
State of New York
Department of Public Service
Three Empire State Plaza
Albany, NY 12223

Re: Compliance Filing - Case Nos.
98-G-1785, 98-G-1096, 98-G-1134 and
98-G-1589

Dear Acting Secretary Renner:

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

Leaf	73	Revision 6
Leaf	80.1	Revision 4
Leaf	81	Revision 2
Leaf	81.1	Revision 1
Leaf	133	Revision 7
Leaf	133.1	Revision 3

These tariff leaves are issued on May 24, 1999 with an effective date of July 1, 1999. These leaves are issued in compliance with the Commission's Order Concerning Recovery of Stranded Capacity Costs issued and effective February 22, 1999 in the above referenced cases.

The above-referenced Order directed major gas corporations to review their tariffs to ensure that transportation customers are paying their fair share of system reliability costs and, if necessary, to change their tariffs accordingly. The Company 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 20 percent of the maximum pipeline capacity required for deliverability to its firm sales and firm transportation customers. As firm customers migrate to transportation service, the Company must be prepared for customers returning to its sales service either on their own accord or due to a marketer's failure or decision to cease its activity in the Company's service territory.¹ Without the back-

¹ See Case 93-G-0932, Order Clarifying April 1998 Excess Capacity Filing Requirement, issued and effective September 4, 1997, where the Commission stated that

Honorable Debra Renner
May 24, 1999
Page 2

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 the loss of a marketer on such marketer's customers) and system reliability would be jeopardized. As retail access evolves, the Company intends to revisit this 20 percent figure and propose changes as warranted.

The Company believes the cost of assets necessary to provide system reliability should be borne equally by 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 the Gas Adjustment Clause section of the Company's tariff and to Service Classification No. 6 to establish a Reliability Surcharge which is assessed equally on firm sales and firm transportation customers. This mechanism will ensure that firm transportation customers are properly assessed costs associated with upstream assets from which they derive benefits in the form of reliable, continuous gas supply. Also, the Transition Surcharge mechanism, which allows for the recovery of strandable upstream capacity costs, has been revised to deduct reliability-related costs from total upstream capacity costs since these costs will now be recovered through the Reliability Surcharge.

The Company hereby requests a change in the effective date of these tariff leaves from June 23, 1999 (which results from the thirty notice specified in the Commission's February 22, 1999 Order) to July 1, 1999. Since the Reliability Surcharge will be implemented through the Company's Gas Adjustment Clause and Adjustment to Firm Transportation Rates, a mid-month effective date would result in these charges being prorated twice on a single bill. This would be extremely difficult to implement in the Company's billing processes and likely be confusing to customers.

Also included with this filing is the General Filing Information Form. The Company hereby requests a waiver of the requirement for newspaper publication in advance of the tariff changes.

Any questions concerning this filing can be directed to me at (914) 577-2963.

Very truly yours,

William A. Atzl, Jr.
Manager - Regulatory Affairs

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.