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January 8, 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: **Amendments to Gas Tariff and Request for SAPA Waiver**

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. 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 that are issued January 8, 2001 to become effective March 20, 2001 or at the earliest possible date due to the circumstances described below.

Fourth Revised Leaf No. 332
Superseding Third Revised Leaf No. 332

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First Revised Leaf No. 367
Superseding Original Leaf No. 367

Original Leaf No. 367.1

Original Leaf No. 367.2

First Revised Leaf No. 368
Superseding Original Leaf No. 368

Statement of Balancing Service Charges (No. 5)
Applicable to Service Classification Nos. 9 and 20

Reasons for the Proposed Changes

Due to the unprecedented increase in the price of gas in recent months, the Company is proposing amendments to its gas tariff to modify provisions that could result in firm Customers unjustifiably bearing responsibility for incremental costs incurred in serving firm transportation and interruptible sales Customers. First, the Company is proposing to amend the imbalance charges applicable to Service Classification ("SC") No. 20 Marketers serving firm transportation Customers under SC No. 9 of the Schedule for Gas Service. Second, the Company is proposing to amend the annual rate cap calculation under SC 12 to exclude from that calculation any month(s) from January through April 2001 where the Company charges a rate in excess of the otherwise applicable monthly firm rate.

1. Marketer Imbalance Charges

Under the Company's tariff, a Marketer serving firm transportation customers taking monthly balancing is obligated to deliver to Con Edison's Citygate a specified amount of gas based on their Customers' historical consumption. Any difference between the Customers' actual consumption and the Marketer's required deliveries are provided by the Company through its monthly balancing services. However, if a Marketer schedules less than the required quantity ("deficiency imbalance"), the Company's firm Customers may bear incremental costs associated with such under-delivery to the extent that existing imbalance charges fail to fully recover those costs.

Currently, the daily imbalance charge on deficiency imbalances during the winter season is a flat $10 per dth. However, the daily market price of gas delivered to New York City has ranged as high as $45.50 per dth since the start of the winter on November 1. Although the Company's tariff provides for a monthly cashout mechanism to recover the cost of gas associated with end of month deficiency imbalances, the existing imbalance charge mechanism may fail to recover higher incremental costs being incurred by the Company associated with its managing day-to-day

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imbalances. Any under-recovery of gas costs resulting from the difference between

actual gas costs and actual imbalance charges collected from Marketers is passed-through to the Company's firm Customers via the gas adjustment clause. Given the recent volatility in gas prices, the current mechanism for pricing Marketer imbalances is placing an unfair burden on the Company's firm Customers. Therefore, as explained below, the Company proposes that deficiency imbalance charges be pegged to daily market gas prices so as to adequately compensate both the Company and its firm Customers for the daily cost of gas associated with gas supplied to firm transportation Customers.

2. ***Interruptible Tariff Amendments***

The Company's tariff currently contains provisions that allows the Company the flexibility to establish monthly rates for interruptible sales service provided the rates established not cause Customers to pay an annual amount that is greater than what Customers would pay under the applicable firm rate ("annual rate cap"). The tariff also provides that the minimum rate to be charged be set to recover the cost of gas to serve the Customer plus one cent per therm. However, due to the recent sharp increase in gas costs, the January 2001 interruptible rates were set above the comparable monthly firm rates, increasing the likelihood that on an annual basis the Customer may pay more than the annual rate cap. In such a case, interruptible Customers would receive a refund for amounts paid in excess of the annual rate cap. However, such refunds would result in an under-recovery of gas costs from interruptible Customers, which would be borne by the Company's firm sales Customers. To avoid this result, the Company proposes to exclude from the annual rate cap calculation any of the month(s) from January through April 2001 where the rate charged exceeds the applicable firm rate. If during that period, the minimum rate exceeds the applicable firm sales rate, the rate will be set equal to the minimum rate. The Company may further address these issues as respects subsequent periods in a separate filing.

Summary of Proposed Changes

The Company proposes to change the current pricing methodology for determining imbalance charges on deficiency imbalances from a fixed price to a variable price that is tied to daily market gas prices. Specifically, during the winter period (November through March) the charges on deficiency imbalances where a Marketer under-delivers will be as follows:

Deficiency Imbalance	Charge per therm
Up to 2%	100% of the cost of gas
Greater than 2% but less than 5%	110% of the cost of gas
Equal to or greater than 5%	120% of the cost of gas plus $1.00 per therm

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During an OFO period, the daily imbalance charge on deficiency imbalances will be the higher of $4.50 per therm or 120% of the cost of gas plus $1.00 per therm. During the summer period, deficiency imbalances will also be directly tied to the cost of gas. However, for summer deficiency imbalances equal to or greater than 5%, the existing imbalance charge will also apply i.e., the estimated difference between the Company's highest cost of gas and its average cost of gas to firm Customers.

For Marketers serving Customers taking Load Following or Daily Delivery Services, the cost of gas used in determining the imbalance charges on deficiency imbalances during seasonal and OFO periods would be indexed to a daily high spot price as published for a Citygate Company Receipt Point, i.e., the Daily High Spot Citygate Price at Transcontinental Pipeline Zone 6 as set forth in the publication entitled "Gas Daily". For Marketers serving Customers taking Capacity Balancing Service, the cost of gas will be indexed to a wellhead price of gas plus variable transportation costs, i.e., the Daily High Spot Price of the Wellhead Pooling Price, Louisiana – Onshore South, Zone 3 at Station 65, as set forth in Gas Daily, plus actual variable transportation charges as stated in the Transcontinental Pipeline tariffs from Station 65 to Con Edison's Citygate.

In addition to the changes to SC 20, the Company is amending the interruptible rate provisions of SC 12 to reflect the modification to the annual rate cap as described herein. Finally, as permitted by the Company's tariff, the enclosed statement also includes adjustments to the daily imbalance charges applicable to interruptible and off-peak firm customers to correct for current market conditions.

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 and allow the changes proposed herein to become effective on January 10, 2001 or at the earliest possible date. By acting promptly, the Company's firm Customers will avoid subsidizing the cost of gas supplied to firm transportation Customers and interruptible sales Customers.

Very truly yours,

Joel H. Charkow
Director

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Rate Engineering Department