



Orange and Rockland Utilities, Inc.  
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New York NY 10003-0987  
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March 1, 2007

Honorable Jaclyn A. Brillling  
Secretary  
State of New York  
Public Service Commission  
Three Empire State Plaza  
Albany, New York 12223

Re: Revisions to Fixed and Balancing Cost Allocators in  
Combined Gas Supply Portfolio

Dear Secretary Brillling:

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

Leaf No. 73	Revision No. 14
Leaf No. 73.1	Original
Leaf No. 77	Revision No. 10
Leaf No. 77.1	Revision No. 1

These tariff leaves, which the Company is filing electronically today, are scheduled to become effective on June 1, 2007.

#### Purpose of Proposed Tariff Modifications

The purpose of this filing is to (a) change the methodology for determining the fixed percentages used to allocate fixed and balancing service costs between the Company and Consolidated Edison Company of New York Inc. ("Con Edison"); and (b) establish a process to update these fixed percentages on an annual basis.<sup>1</sup>

#### Background

Con Edison and O&R ("the Companies") purchase gas through a combined gas supply portfolio administered by Con Edison's Gas Supply Department. Under this combined gas supply portfolio, the total cost of gas for the Companies reflects fixed, balancing and variable gas supply costs. Fixed costs and balancing costs are allocated between the Companies based on separate fixed percentages. The Companies are proposing changes to the fixed percentages and their determination, effective June 1, 2007, and implementation of a process to update the fixed percentages effective each November 1 thereafter.

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<sup>1</sup> Con Edison is concurrently submitting comparable revisions to its gas tariff.

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### Summary of Tariff Changes

The following changes are proposed to the Company's Gas Tariff:

- (a) General Information Section No. 12.1(C)(1), "Fixed Cost" has been revised to specify that the fixed percentages used to allocate fixed costs between the companies (excluding each Company's fixed gas costs associated with balancing services) will be based on the ratio of each Company's forecasted winter peak day capacity requirement to the total forecasted peak day capacity requirement of the Companies. For the purpose of computing these ratios, each Company's forecasted winter peak day capacity requirement shall be reduced by the amount of winter peak day capacity obtained by marketers from sources other than the Companies, for firm service customers participating in each of the Companies' gas retail access programs. This section has also been revised to indicate that the fixed percentages shall be revised at least annually to become effective each November 1. The new language also permits the Company to make interim revisions to the fixed percentages, if necessary, to reflect a significant shift in peak day capacity requirements between the Companies.
- (b) General Information Section No. 12.1(C)(2), "Balancing Cost" has been revised to specify that the fixed percentages used to allocate balancing (sometimes referred to as "load following") costs between the Companies will be based on ratios of each Company's forecasted balancing service requirement to the total forecasted balancing service requirement of the Companies. This section has also been revised to indicate that the fixed percentages shall be revised at least annually to become effective each November 1, based on forecasted balancing service requirements for the upcoming winter period. The new language also permits the Company to make interim revisions to the fixed percentages, if necessary, to reflect a significant shift in balancing requirements between the Companies.
- (c) For both fixed and balancing costs, the Company has proposed that it shall advise Commission Staff on or before October 1 of each year of any changes to the fixed percentages to be implemented the following November 1.
- (d) "Housekeeping" changes have been made to General Information Section 12.1(C)(1), "Fixed Cost" and General Information Section 12.1(E)(1) to clarify the treatment of costs and revenues in the determination of the monthly Gas Supply Charge and the Annual Reconciliation.

### Fixed Percentages Effective Date

Appendix A to this filing contains a determination of the fixed percentages to be used to allocate fixed costs and balancing service costs between the Companies for the period commencing with the effective date of the tariff leaves through October 31, 2007.

### Conclusion and Notice

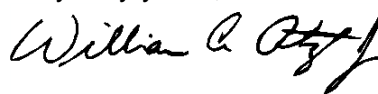
Enclosed herewith is a proposed "Notice of Proposed Rule Making" for publication in the State Register pursuant to the provisions of the State Administrative Procedure Act. The

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Company will publish notice of the changes filed today in accordance with the Commission's regulations on newspaper publication.

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

Very truly yours,

A handwritten signature in black ink, appearing to read "William A. Atzl, Jr.", written in a cursive style.

William A. Atzl, Jr.  
Director – O&R Rates

Enclosures

**CECONY and O&R Firm Sales & Transportation - Design Peak Day**

(Requirements vs. Assets)

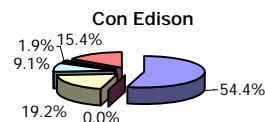
Con Edison					
	Winter	06/07	07/08	08/09	09/10
Peak Day Forecast		1,088	1,100	1,114	1,121
Contingency Capacity (15%)		0	0	0	0
Total Obligation:		1,088	1,100	1,114	1,121
FT CECONY		435	460	396	396
FT CECONY (Released to Marketers)		132	132	132	132
FT Reserved for CECONY WBS Program (WSS)		19	19	19	19
Iroquois Reliant Winter Only Cap Release Offer		0			
Market Area Storage		207	207	307	307
Peaking Delivered Service: KLNG		5	5	5	5
Peaking Delivered Services: 30/60 - Days		93			
Astoria LNG		166	166	166	166
Winter Delivered Services		21			
FT Marketer		0	0	0	0
Existing Total City-Gate Deliverability:		1,078	989	1,025	1,025
Net Position Long/(Short)		(10)	(111)	(89)	(96)

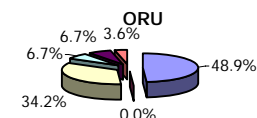
Orange and Rockland					
	Winter	06/07	07/08	08/09	09/10
Peak Day Forecast		215	218	221	224
Contingency Capacity (15%)		0	0	0	0
Total Obligation:		215	218	221	224
FT ORU		73	73	73	73
FT ORU (Release to Marketers)		37	37	37	37
Market Area Storage Reserved for ORU WBS Program		23	23	23	23
Market Area Storage		54	54	134	134
Peaking Delivered Service: KLNG		15	15	15	15
Winter Delivered Services		15			
Propane		8	8		
FT Marketer		0	0	0	0
Existing Total City-Gate Deliverability:		225	210	282	282
Net Position Long/(Short)		10	(8)	61	58

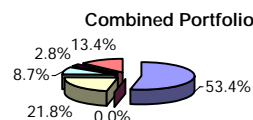
Combined Portfolio					
	Winter	06/07	07/08	08/09	09/10
Peak Day Forecast		1303	1318	1335	1345
Contingency Capacity		0	0	0	0
Total Obligation:		1,303	1,318	1,335	1,345
FT CEI		527	552	488	488
FT CEI (Release to Marketers)		169	169	169	169
Market Area Storage		284	284	464	464
Peaking Delivered Services		113	20	20	20
LNG & Propane		174	174	166	166
Winter Delivered Services		36			
FT Marketer		0	0	0	0
Existing Total City-Gate Deliverability:		1,303	1,199	1,307	1,307
Net Position Long/(Short)		0	(119)	(28)	(38)



Winter 06/07		
FT CECONY	586	54.4%
FT (Marketer)	0	0.0%
Market Area Storage	207	19.2%
Peaking Del. Serv.	98	9.1%
Winter Del. Ser.	21	1.9%
Astoria LNG	166	15.4%
<b>Total</b>	<b>1,078</b>	



Winter 06/07		
FT ORU	110	48.9%
FT (Marketer)	0	0.0%
Market Area Storage	77	34.2%
Peaking Del. Serv.	15	6.7%
Winter Del. Serv.	15	6.7%
Propane	8	3.6%
<b>Total</b>	<b>225</b>	



Winter 06/07		
FT CEI	696	53.4%
FT (Marketer)	0	0.0%
Market Area Storage	284	21.8%
Peaking Del. Serv.	113	8.7%
Winter Del. Ser.	36	2.8%
Peaking Assets	174	13.4%
<b>Total</b>	<b>1,303</b>	

O&R Allocation Percentage 16.50%

CECONY Allocation Percentage 83.50%

**Total - CECONY / ORU Load Following Calculation****Applicable to the period: Nov 1, 2006 through Oct 31, 2007 \***

(1)	Days in Month	Projected Load (Therms)	Average Daily Projected Usage (therms/Day)	20% of Average Daily Quantity (Therms)	Average Daily Summer Usage (therms/day) - June -September	Average Daily Swing (Average Daily Projected Load - Average Daily Summer Projected Load)	Load-following Therms /Day	Load-following Therms /Month
(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
				column 4 times 0.20	122	column 4 - column 6		
November	30	1,360,000,000	45,333,333	9,066,667	17,554,918	27,778,415	27,778,415	833,352,459
December	31	1,921,800,000	61,993,548	12,398,710		44,438,630	44,438,630	1,377,597,541
January	31	2,200,800,000	70,993,548	14,198,710		53,438,630	53,438,630	1,656,597,541
February	28	1,843,100,000	65,825,000	13,165,000		48,270,082	48,270,082	1,351,562,295
March	31	1,663,000,000	53,645,161	10,729,032		36,090,243	36,090,243	1,118,797,541
April	30	977,900,000	32,596,667	6,519,333		15,041,749	15,041,749	451,252,459
May	31	634,600,000	20,470,968	4,094,194		2,916,050	4,560,005	141,360,164
June	30	482,700,000	16,090,000	3,218,000		(1,464,918)	3,218,000	96,540,000
July	31	471,200,000	15,200,000	3,040,000		(2,354,918)	3,040,000	94,240,000
August	31	462,400,000	14,916,129	2,983,226		(2,638,789)	2,983,226	92,480,000
September	30	460,900,000	15,363,333	3,072,667		(2,191,585)	3,072,667	92,180,000
October	31	808,100,000	26,067,742	5,213,548		8,512,824	8,512,824	263,897,541
		13,286,500,000						7,569,857,541

132,865,000 dekatherms

75,698,575 dekatherms

Comparable Summer Period

June-2006	30	811,700,000
July-2006	31	441,700,000
August-2006	31	437,000,000
September-2006	30	451,300,000
		2,141,700,000

<b>SUMMARY</b>		
	Therms	%
Con Ed Annual Load Following Therms	6,046,087,869	79.9%
ORU Annual Load Following Therms	1,523,769,672	20.1%
Total Con Ed / ORU Annual Load Following Therms	7,569,857,541	100%

\*Based on 2007 Budget as Approved

Prepared: December 19, 2006

# CECONY Load Following Calculation

Applicable to the period: Nov 1, 2006 through Oct 31, 2007

(1)	Days in Month	Projected Load (Therms)	Average Daily Projected Usage (therms/Day)	20% of Average Daily Quantity (Therms)	Average Daily Summer Usage (therms/day) - June - September	Average Daily Swing (Average Daily Projected Load - Average Daily Summer Projected Load)	Load-following Therms /Day	Load-following Therms /Month
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
				column 4 times 0.20	122	column 4 - column 6		
November	30	1,132,900,000	37,763,333	7,552,667	15,685,246	22,078,087	22,078,087	662,342,623
December	31	1,584,200,000	51,103,226	10,220,645		35,417,980	35,417,980	1,097,957,377
January	31	1,811,500,000	58,435,484	11,687,097		42,750,238	42,750,238	1,325,257,377
February	28	1,521,500,000	54,339,286	10,867,857		38,654,040	38,654,040	1,082,313,115
March	31	1,385,100,000	44,680,645	8,936,129		28,995,399	28,995,399	898,857,377
April	30	823,000,000	27,433,333	5,486,667		11,748,087	11,748,087	352,442,623
May	31	544,100,000	17,551,613	3,510,323		1,866,367	3,510,323	108,820,000
June	30	427,800,000	14,260,000	2,852,000		(1,425,246)	2,852,000	85,560,000
July	31	418,000,000	13,483,871	2,696,774		(2,201,375)	2,696,774	83,600,000
August	31	408,500,000	13,177,419	2,635,484		(2,507,827)	2,635,484	81,700,000
September	30	414,400,000	13,813,333	2,762,667		(1,871,913)	2,762,667	82,880,000
October	31	670,600,000	21,632,258	4,326,452		5,947,012	5,947,012	184,357,377
		11,141,600,000						6,046,087,869

111,416,000 dekatherms

60,460,879 dekatherms

Comparable Summer Period

June-2006	30	744,800,000
July-2006	31	386,700,000
August-2006	31	383,500,000
September-2006	30	398,600,000
		1,913,600,000

# ORU Load Following Calculation

Applicable to the period: Nov 1, 2006 through Oct 31, 2007

(1)	Days in Month	Projected Load (Therms)	Average Daily Projected Usage (therms/Day)	20% of Average Daily Quantity (Therms)	Average Daily Summer Usage (therms/day) - June - September	Average Daily Swing (Average Daily Projected Load - Average Daily Summer Projected Load)	Load-following Therms /Day	Load-following Therms /Month
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
				column 4 times 0.20	122	column 4 - column 6		
November	30	227,100,000	7,570,000	1,514,000	1,869,672	5,700,328	5,700,328	171,009,836
December	31	337,600,000	10,890,323	2,178,065		9,020,650	9,020,650	279,640,164
January	31	389,300,000	12,558,065	2,511,613		10,688,392	10,688,392	331,340,164
February	28	321,600,000	11,485,714	2,297,143		9,616,042	9,616,042	269,249,180
March	31	277,900,000	8,964,516	1,792,903		7,094,844	7,094,844	219,940,164
April	30	154,900,000	5,163,333	1,032,667		3,293,661	3,293,661	98,809,836
May	31	90,500,000	2,919,355	583,871		1,049,683	1,049,683	32,540,164
June	30	54,900,000	1,830,000	366,000		(39,672)	366,000	10,980,000
July	31	53,200,000	1,716,129	343,226		(153,543)	343,226	10,640,000
August	31	53,900,000	1,738,710	347,742		(130,962)	347,742	10,780,000
September	30	46,500,000	1,550,000	310,000		(319,672)	310,000	9,300,000
October	31	137,500,000	4,435,484	887,097		2,565,812	2,565,812	79,540,164
		<b>2,144,900,000</b>						<b>1,523,769,672</b>

21,229,000 dekatherms

15,237,697 dekatherms

Comparable Summer Period

June-2006	30	66,900,000
July-2006	31	55,000,000
August-2006	31	53,500,000
September-2006	30	52,700,000
		<b>228,100,000</b>