



Orange and Rockland Utilities, Inc.  
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July 31, 2006

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

Re: Proposed Extension of Capacity Release Service

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.	129	Revision No.	12
Leaf No.	152	Revision No.	14
Leaf No.	152.1	Revision No.	9
Leaf No.	152.2	Revision No.	11
Leaf No.	155	Revision No.	12
Leaf No.	159	Revision No.	8

These tariff leaves, which the Company is filing electronically today, are scheduled to become effective on November 1, 2006.

#### Purpose of Proposed Tariff Modifications

The purpose of this filing is to (a) extend the Company's capacity release service program ("Program") for Qualified Sellers of natural gas ("Sellers") serving firm customers in the Company's gas retail access program; and (b) limit the amount of change that the Company is required to accommodate from year-to-year in the percentage of Sellers' total capacity requirements that are obtained from the Company.

#### (a) Extension of the Program

Since its inception in 2001, the Program has offered Sellers the opportunity to obtain upstream pipeline capacity from the Company in order to satisfy the Commission's firm primary delivery point requirement<sup>1</sup>. The current one-year extension of the Program,

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<sup>1</sup> The Program, which was filed in compliance with a Commission order dated July 10, 2001 in Case 97-G-1380, was originally available through October 31, 2004. On June 4, 2004, the Company filed to

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available to Sellers under Capacity Option A of Service Classification No. 11 of the Gas tariff, expires on October 31, 2006. By this filing, the Company proposes to extend the Program until further notice, thereby eliminating the need for the Company to file for further extensions of the Program.

(b) Year-to-Year Overall Limit on Capacity Obtained from the Company

Sellers may, on a year-to-year basis, request increases (up to 100% of their respective customers' loads) or decreases in the amount of upstream pipeline capacity that they want to obtain from the Company. Under the proposed modification, such requests will be met in full if the increase or decrease in the aggregate percentage of all Sellers' total capacity requirements to be obtained from the Company does not exceed 20% of the aggregate percentage of all Sellers' total capacity requirements obtained from the Company during the prior year. If the increase or decrease in the aggregate percentage of all Sellers' total capacity requirements to be obtained from the Company exceeds 20%, the Company will have the right to adjust proportionately such requests so that they meet the 20% limitation.

This 20% limitation, which the Company is proposing to implement starting with the 2007-2008 capacity release period, is necessary for the Company to better plan the capacity needs of the Program from year to year. Subjecting the Company to unlimited increases and decreases in capacity requirements for Sellers (who currently may opt to use third party capacity for all of their needs one year and then request a release of Company capacity for all such needs the following year) could have material impacts on the Company's weighted average cost of transportation to the detriment of its full service customers and other Sellers. A 20% swing (as described above and in attached Leaf 152.2) provides a reasonable tolerance band within which capacity can be managed by the Company from year-to-year under the proposed Program, and at the same time, provides Sellers with significant flexibility in deciding whether to rely on the Company or on third parties to meet the Commission's firm primary delivery point requirement.

Summary of Changes

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

- (a) The "Applicable to Use of Service for" provision of Service Classification No. 6 has been revised by deleting the language providing for expiration of the Program on October 31, 2006.
- (b) The "Applicable to Use of Service for" and "Capacity Option A" provisions of Service Classification No. 11 have been revised by deleting the language providing for expiration of the program on October 31, 2006.
- (c) The "Capacity Option A" provision of Service Classification No. 11 has been revised to limit from one capacity release period (November 1 through October 31) to the next the

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extend the Program for one additional year through October 31, 2005. On July 25, 2005, the Company filed to extend the Program for another year, through October 31, 2006, in compliance with a Commission order, dated October 27, 2005, in Case 05-G-0919.

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aggregate percentage increase or decrease in the overall percentage of upstream pipeline capacity that the Company is obligated to provide to Sellers under Capacity Option A.

- (d) The Company has also made minor changes of a housekeeping nature. The Company will provide Commission Staff with a redline/strikeout version of the tariff amendments to assist Staff in its review of this filing.

The Company will make corresponding changes to its Gas Transportation Operating Procedures Manual ("GTOP") upon Commission approval of the tariff changes proposed herein.

Proposed Schedule for Capacity Release Program

Sellers interested in participating in the Company's capacity release program for the upcoming 2006-07 winter period must each execute a Capacity Release Service Agreement, including making a binding commitment for the amount of capacity that is being requested from the Company, no later than 5:00 P.M. EDT on Tuesday, August 22, 2006.

Notices

The Company will provide for public notice of the tariff changes proposed in this filing by means of newspaper publication once a week for four consecutive weeks prior to the November 1, 2006 effective date of the proposed tariff changes. Enclosed is a proposed form of Notice of Proposed Rule Making for publication in the State Register pursuant to the State Administrative Procedure Act.

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

Very truly yours,



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

Enclosures