



Orange and Rockland Utilities, Inc.  
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June 23, 2005

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

Dear Secretary Brilling:

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

The tariff leaves filed electronically today are to become effective on October 1, 2005. Appendix A to this filing letter sets forth the revised tariff leaves being filed.

#### Summary of Tariff Modifications

The enclosed tariff leaves reflect the following modifications to Service Classification ("SC") No. 3 - Interruptible Sales Service and SC No. 8 - Interruptible Transportation Service of the Gas tariff:

1. The "Penalty Charge" provision relating to customers' unauthorized use of gas during periods of interruption now found in the "RATE – FOUR PART - MONTHLY" section of SC No. 3 has been moved and revised, and can now be found in Special Provision F (2) of SC No. 3. The "Penalty Surcharge" provision relating to additional charges applicable to customers on and after their second failure to interrupt gas use in a Winter Period now found in the "RATE – FOUR PART - MONTHLY" section of SC No. 3 has been deleted in its entirety and replaced with a new provision set forth in Special Provision F (1) of SC No. 3. The SC No. 3 rate section has been renamed "RATE – TWO PART - MONTHLY" to reflect the above changes, and the remaining subparagraphs of the section have been renumbered accordingly. A new paragraph has been added to the rate section referencing the charge for unauthorized use of gas and the charge for inoperable alternate fuel/energy facilities or inadequate fuel reserves, which are now set forth in Special Provisions F (2) and F (3) of SC No. 3.
2. The "Penalty Charge" provision relating to customers' unauthorized use of gas during periods of interruption now found in the "RATE – SIX PART - MONTHLY" section of SC No. 8 has been moved and revised, and can now be found in new Special Provision G (2) of SC No. 8. The "Penalty Surcharge" provision relating to additional charges applicable to customers on and after their second failure to interrupt gas use in a Winter Period now found in the "RATE – SIX PART - MONTHLY" section of SC No. 8 has been deleted in its entirety and replaced with a new provision set forth in Special Provision G (1) of SC No. 8. The SC No. 8 rate section has been renamed "RATE – FOUR PART -

Honorable Jaclyn A. Brilling

June 23, 2005

Page 2 of 4

MONTHLY” to reflect the above changes, and the remaining subparagraphs of the section have been renumbered accordingly. A new paragraph has been added to the rate section referencing the charge for unauthorized use of gas and the charge for inoperable alternate fuel/energy facilities or inadequate fuel reserves, which are now set forth in Special Provisions G (2) and G (3) of SC No. 8.

3. The tariff language now contained in “Reserve Requirements” of Special Provision F in SC No. 3 and in “Reserve Requirements” of Special Provision G in SC No. 8, relating to a customer’s responsibility for maintaining adequate reserves of their alternate fuel, has been moved in part to the section “Customer Responsibilities” of Special Provision E in SC No. 3 and to the section “Customer Responsibilities” of Special Provision F in SC No. 8. This change consolidates under one special provision in each of the classes a customer’s responsibility with respect to the maintenance of alternate fuel equipment and alternate fuel reserves.
4. The charge associated with customers that fail to maintain adequate alternate fuel reserves currently set forth in Special Provision F of SC No. 3 and in Special Provision G of SC No. 8 has been moved to Special Provision F (3) “Charge for Inoperable Fuel/Energy Facilities or Inadequate Fuel Reserves” in SC No. 3 and to Special Provision G (3) “Charge for Inoperable Fuel/Energy Facilities or Inadequate Fuel Reserves” in SC No. 8.
5. The charge associated with customers that fail to maintain operable alternate fuel or alternate energy facilities currently set forth in Special Provision E of SC No. 3 and in Special Provision F of SC No. 8 has been moved to Special Provision F (3) “Charge for Inoperable Fuel/Energy Facilities or Inadequate Fuel Reserves” in SC No. 3 and to Special Provision G (3) “Charge for Inoperable Fuel/Energy Facilities or Inadequate Fuel Reserves” in SC No. 8.
6. A new Special Provision F “Provisions Relating to Interruptions” has been added to SC No. 3 and a new Special Provision G “Provisions Relating to Interruptions” has been added to SC No.8. The new special provision is described in detail below.
7. General Information Section 12.1 "Gas Supply Charge" subsection (E) "Annual Reconciliation" has been amended to reflect the changes to SC Nos. 3 and 8, and other "housekeeping" changes.

#### Reasons for the Proposed Changes

In December 2004, O&R filed changes to its SC No. 3 and SC No. 8 interruptible sales and transportation services that became effective on February 1, 2005. As part of the Company’s discussions with Staff concerning the changes proposed in the Company’s December 2004 filing, Staff indicated its desire to bring O&R’s interruptible service more in-line with the interruptible service provided by Consolidated Edison Company of New York, Inc. (“Con Edison”). Staff suggested some additional changes to O&R’s interruptible sales and transportation services based on changes to Con Edison’s interruptible transportation service approved by the Commission<sup>1</sup>. The Company agreed to the changes and to file such additional changes after the 2004-05 winter heating season.

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<sup>1</sup> On July 30, 2004 Con Edison filed changes to its interruptible transportation and off-peak firm service. By Order dated October 22, 2004 in Case 04-G-0948, the Commission approved the tariff changes filed by Con Edison and

Honorable Jaclyn A. Brilling

June 23, 2005

Page 3 of 4

The additional changes that the Company has agreed to make, include: (1) the transfer of interruptible customers to firm service following a customer's second failure in a Winter Period to fully interrupt its use of gas during a period of interruption ("two-violation rule"); (2) providing customers with one violation in each Winter Period that will not count toward the "two-violation rule" if the customer can demonstrate that the violation was due to inoperable alternate fuel or alternate energy facilities; and (3) a higher penalty charge for unauthorized use of gas during a period of interruption.

The proposed tariff leaves provide for the following changes, which are now included under the new Special Provision F in SC No. 3 and the new Special Provision G in SC No. 8:

- (1) For each Winter Period, if an interruptible sales or transportation customer fails to fully interrupt its use of gas during any two interruption periods, the Company will transfer that customer to Service Classification No. 1, 2, or 6, whichever is applicable. Under the currently effective Gas tariff, customers that fail to fully interrupt their use of gas during an interruption period are billed, in addition to the other applicable rates and charges, a "Penalty Surcharge" on the second and each subsequent occurrence in the Winter Period. The surcharge is based on the applicable Service Classification No. 2 firm sales rate and is billed for 12 months commencing with the billing month following the month of the second or subsequent occurrence. Customers remain on the applicable SC No. 3 or SC No. 8 interruptible service classification, and are subject to all the conditions and requirements of an interruptible customer.

The new tariff language addressing this change is set forth in Special Provisions F (1) and G (1) "Failure to Interrupt" of SC Nos. 3 and 8, respectively.

- (2) A customer's failure to interrupt its gas use, even when due to documented inoperable alternate fuel or alternate energy facilities, counts as a violation under the two-violation rule, with one exception during each Winter Period. On one occasion during each Winter Period a customer's failure to interrupt due to documented inoperable alternate fuel or alternate energy facilities will not count towards the two-violation rule, provided that the customer satisfies all of the following conditions: (a) notifies the Company within one-hour of the failure of its equipment; (b) repairs and makes operable its facilities within forty-eight hours of the equipment's failure<sup>2</sup>; and (c) provides the Company with sufficient documentation that it has repaired and made operable its equipment.

The tariff language addressing this change is set forth in Special Provisions F (1) and (G) (1) "Failure to Interrupt" of SC Nos. 3 and 8, respectively.

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directed Con Edison to file additional tariff changes on not less than one days' notice. On October 29, 2004, Con Edison filed further tariff revisions that became effective on November 1, 2004.

<sup>2</sup> The deadline for repairing the equipment may be extended up to seven days if the customer can demonstrate that the extension was necessary due to the unavailability of a part and its installation.

Honorable Jaclyn A. Brillling

June 23, 2005

Page 4 of 4

- (3) The charge for unauthorized use of gas during a period of interruption will be the greater of (a) two times the sum of (i) the cost of the gas delivered to the Company's citygate on the day of the violation, plus (ii) the applicable - SC No. 8 interruptible transportation rate, or (b) nine times the applicable SC No. 3 interruptible sales rate for the month in which the violation occurred. Currently, the charge is the greater of \$4.50 per Ccf or \$2.50 per Ccf plus the cost of gas.

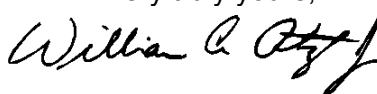
The tariff language addressing this change is set forth in Special Provisions F (2) and G (2) of SC Nos. 3 and 8, respectively.

Notices

The Company will publish notice of the proposed changes in accordance with the Commission's regulations concerning newspaper publication. A copy of the filing will also be posted on the Company's website. Enclosed is a proposed form of Notice of Proposed Rule Making for publication in the State Register pursuant to the provisions of the State Administrative Act.

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

Very truly yours,

A handwritten signature in black ink, appearing to read "William A. Atzl, Jr.", with a stylized flourish at the end.

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

**APPENDIX A - Filed June 23, 2005**

**P.S.C. No. 4 Gas**

Leaf 77	Revision 7
Leaf 118	Revision 7
Leaf 119	Revision 7
Leaf 120	Revision 7
Leaf 121	Revision 6
Leaf 122	Revision 5
Leaf 122.1	Revision 3
Leaf 122.2	Revision 3
Leaf 122.3	Original
Leaf 137.1	Revision 7
Leaf 137.2	Revision 3
Leaf 138	Revision 11
Leaf 138.1	Revision 10
Leaf 139	Revision 10
Leaf 139.1	Revision 7
Leaf 140	Revision 4
Leaf 141	Revision 8
Leaf 141.1	Revision 3
Leaf 141.2	Revision 4
Leaf 141.3	Revision 6