

**CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
4 Irving Place
New York, NY 10003**

February 24, 2005

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

RE: Case 04-G-0875

Dear Secretary Brillling:

Consolidated Edison Company of New York, Inc. ("Con Edison" or the "Company") is filing today with the Public Service Commission ("the Commission") amendments to the Company's Schedule for Gas Service, P.S.C. No. 9 – Gas (the "Gas Tariff").

The tariff leaves filed electronically today are proposed to become effective on May 20, 2005. Attachment A to this letter sets forth the tariff leaves that are being amended in this filing.

Reason for Proposed Tariff Modifications

The Company is proposing to offer a new Winter Bundled Sales Service ("WBSS") program to Service Classification No. 20 Marketers serving firm transportation customers in its service territory. This new program results from feedback received by the Company from gas marketers on their interest in the Company developing such a program. Under the new WBSS program, Con Edison will deliver and sell gas during the Winter Period (November 1 – March 31) at its Citygate for use by Marketers in meeting the requirements of their firm transportation Customers. The bundled rate that will be charged for WBSS will be designed to recover commodity costs, firm and variable transportation costs, and storage costs. The source of gas supply for WBSS will be provided from the Company's production area supply assets and the Company will make use of its own firm transportation capacity to deliver the gas from the storage receipt point to its Citygate. WBSS will be offered in conjunction with the Company's existing firm balancing programs, i.e., Load Following, Daily Delivery Service and Daily

Cashout. The volume of WBSS purchased by Marketers at the Company's Citygate will reduce the daily quantities that the Marketer is required to deliver under each firm-balancing program. Similarly, the portion of Maximum Daily Quantities of gas that the Company provides under WBSS will serve to reduce the level of firm transportation capacity that a Marketer is required to have to meet the full requirements of its firm transportation Customers.

Summary of Proposed Changes

The following is a summary of the tariff changes that implement the new WBSS program:

- The Company will determine annually the quantity of gas to be available under WBSS. On or before March 9th of each year, each Marketer will be notified by the Company of its allocated portion ("WBSV") of the available WBSS gas volume based on the ratio of the sum of the Maximum Daily Quantities ("MDQ")¹ of the Marketer's firm transportation Customers to the total MDQs of all firm transportation Customers served under SC No. 9 (excluding power generation Customers, if any). A Marketer must notify the Company within 10 business days of Company providing notice of the WBSV available to Marketers whether it elects all or part of its allocated WBSV for the Winter Period. The Company is under no obligation to provide WBSV to Sellers who fail to notify the Company within the above schedule. Prior to November 1 of each year, the Company may at its discretion, and with the consent of the WBSS participant, increase the WBSV allocation to the WBSS participant depending on the overall subscription level to the WBSS for that Winter Period. At any other time during the Winter Period, the availability of additional WBSV allocations to Marketers will be made at the Company's sole discretion.

For the first winter period that WBSS is in effect (November 1, 2005 – March 31, 2006), the Company will notify Marketers, by March 18, 2005, of the WBSS quantity and WBSV quantities the Company will make available for this period. The WBSV allocation to each Marketer will be determined in the same manner as described above. Marketers must then notify the Company on or before March 31, 2005 whether it elects all or part of its allocated WBSV. The Company's obligation to provide the allocated quantities of WBSV elected by Marketers for Winter 2005/2006 will be predicated on the Commission's approval of the Company's request for WBSS as described herein. Based on the current utilization of the Company's portfolio of production area storage assets, the Company intends to offer up to 2.5 million Dth to Marketers during Winter 2005/2006 from Transco's Washington Storage Service. Since the effective date of the WBSS program will occur after the start of the summer injection season (April 1, 2005), the maximum quantity available for WBSS (i.e., 2.5 million Dth) may be reduced and the rate adjusted accordingly.

¹ For a firm transportation Customer taking balancing service under Load Following or Daily Delivery Service, the MDQ is equal to the Customer's historical average daily quantity during the Customer's winter peak month. For a firm transportation Customer taking Daily Cashout Service the MDQ is equal to the Customer's historical peak day quantity during the Winter Period.

- During the Winter Period, the Company will deliver to the Citygate each Marketer's subscribed WBSV in equal daily amounts, including an amount to be retained as an allowance for losses, based on the following schedule:

<u>Month</u>	<u>Amount Delivered As a % of Subscribed WBSV</u>
○ November	10%
○ December	20%
○ January	25%
○ February	25%
○ March	20%

- As previously explained, the bundled rate for WBSS will be designed to recover commodity costs, firm and variable transportation costs, storage costs, and carrying charges on the cost of WBSS gas. For the first winter period that WBSS is in effect, commodity costs will be based on the weighted average of Transco Summer Production Area (for Zone 1 at 17%, Zone 2 at 25% and Zone 3 at 58%) Inside FERC First of Month Indices Prices for the seven summer months immediately preceding November 1. The percentages for each Zone are reflective of the Company's current "telescoped FT" rights at those delivery points and associated production area firm transportation charges (Zones 1 to 3 delivery points) associated with Transco's WSS. Storage costs shall consist of fixed demand and variable fuel costs for Transco's WSS, including associated costs for space, deliverability, injection and withdrawal. Firm Transportation costs will be based on the annual fixed Transco Firm Transportation charges for Transco Zones 4 to 6 delivery points. Variable transportation costs shall consist of variable costs and fuel costs for transportation associated with gas deliveries from the Transco WSS facility to the Company's Citygate via Transco Zones 4 to 6 delivery points. Carrying charges on the cost of WBSS gas will be calculated based on the Commission's Other Customer Capital rate (currently 4.35% per year, effective January 1, 2005). The explanation of the computation of the WBSS rate will be set forth in the Company's Sales and Transportation Operating Procedures and revised whenever necessary to recognize changes in the source of gas supply being used for WBSS and associated costs. The bundled WBSS rate will be set forth on the Statement of Balancing Service Charges applicable to SC No. 20 and updated periodically to recognize changes in costs.
- The sections of the Gas Tariff pertaining to the amount that a Marketer is obligated to deliver under each of the Company's firm balancing services (i.e., load following, daily delivery service and daily cashout) have been amended to recognize inclusion of the subscribed WBSS volume for a Direct Customer and Marketer's Firm Small Customer Aggregation Group.
- The sections of the Gas Tariff describing the computation of the average cost of gas used in determining the monthly Gas Cost Factor ("GCF") and the annual reconciliation of the GCF have been amended to reimburse firm sales Customers for the WBSS charges collected from participating Marketers.

Under separate cover, the Company will file shortly with Staff its revised GTOP reflecting revisions to include the proposed WBSS program.

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 effective date of the WBSS. Enclosed is a proposed form of Notice of Proposed Rule Making for publication in the State Register pursuant to the State Administrative Procedure Act.

Very truly yours,

Joel H. Charkow
Director
Rate Engineering Department

Enclosure

PSC No. 9 Gas

Leaf 156
Revision 12
Superseding Revision 10

Leaf 157
Revision 8
Superseding Revision 7

Leaf 158
Revision 4
Superseding Revision 3

Leaf 259
Revision 6
Superseding Revision 5

Leaf 264
Revision 4
Superseding Revision 3

Leaf 279
Revision 4
Superseding Revision 3

Leaf 286
Revision 4
Superseding Revision 3

Leaf 289
Revision 2
Superseding Revision 1

Leaf 362
Revision 7
Superseding Revision 6

PSC No. 9 Gas

Leaf 389.1
Revision 3
Superseding Revision 2

Leaf 389.2
Revision 3
Superseding Revision 2