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CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
4 Irving Place
New York, N.Y. 10003

November 2, 2004

Jaclyn A. Brilling, Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, NY 12223-1350

RE: Case 02-M-0515 – Proceeding on Motion of the Commission to Establish Gas Transportation Rates for Distributed Generation Technologies

Dear Secretary Brilling:

Consolidated Edison Company of New York, Inc. ("Con Edison" or "the Company") is filing today with the Public Service Commission ("the Commission") amendments to its Schedule for Gas Service, PSC No. 9 – Gas ("Gas Tariff") in compliance with the Commission's **Order Providing for Gas Service for Residential Distributed Generation** ("the Order"), issued and effective August 4, 2004, in the above referenced proceeding.

The changes to the Company's Gas Tariff are set forth in Second Revised Leaf No. 4, First Revised Leaf No. 154.19 and Original Leaf Numbers 154.20 – 154.28. The foregoing leaves are being filed on not less than one day's notice to become effective November 3, 2004, on a temporary basis, in accordance with Ordering Clause 2 of the Order.

Reason for the Proposed Changes

In compliance with the Order, the Company is implementing a new Service Classification Rider to its Gas Tariff, designated as Rider J – Residential Distributed Generation Rate. This Rider contains the rates and terms of service for firm sales and firm transportation of gas to residential Customers using gas to fuel on-site distributed generation ("DG") facilities. Pursuant to the Order, the delivery charges provided for under the Rider may be modified on or after January 1, 2008, by a filing made by the Company based on data gathered over the first three years the Rider is in effect.

Summary of Tariff Changes

Eligibility

Rider J is applicable to residential Customers operating DG equipment who are eligible to take service under Service Classification No. ("SC") 1, SC 3 and SC 9 Rates A (1) and A (7) of the Company's Gas Tariff. A Customer's continued eligibility for service under Rider J will be contingent upon the Customer maintaining an Annual Load Factor of at least fifty (50) percent for the gas usage supplied under this Rider. In accordance with the Order, a Customer's Annual Load Factor will be determined by dividing a Customer's annual gas usage by the product of the Customer's Winter Peak Day Gas Usage and the number of days in the annual determination period. Consistent with the determination of annual load factor applicable to

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commercial Customers taking service under Rider H with DG units rated at less than 5 MW (who are not required to install interval metering from which actual peak day usage may be determined), Winter Peak Day Gas Usage will be based on: the Customer's highest Average Daily Gas Usage occurring during the Winter Period (November – March), adjusted by a Company determined factor reflecting the relationship between the experienced actual Winter Peak Day Gas Usage and the highest Winter Average Daily Gas Usage. Such factor will be based on load research data. Average Daily Gas Usage is the Customer's metered gas usage during the monthly billing period divided by the number of days in the monthly billing period. A Customer whose load factor falls below 50 percent at the end of each annual determination period will be transferred to the otherwise applicable service classification. A Customer may be denied service under Rider J if the Customer fails to supply information on its estimated annual and winter peak day usage or if the information supplied by the Customer or the best information available to the Company indicates that it is most likely that the Customer will not maintain an Annual Load Factor of at least 50 percent during the first year (with the first year commencing after a three-month start-up phase). It is important to consider such information to prevent a Customer from being removed from the rate after its first year of service for failure to meet the annual load factor requirement after having made a considerable investment in DG equipment.

Metering

In accordance with the Order, only large SC 3 residential Customers (in buildings with five or more residential dwelling units) will be required to separately meter DG usage and will be responsible for the cost of such metering equipment and maintenance costs. For smaller residential Customers in SC 1 and SC 3 (single buildings with one to four family dwelling units), both DG and non-DG gas usage will be billed under one meter.

Rate Design

The Company designed two different delivery rates based on the number of residential dwelling units. The first rate applies to both SC 1 non-heating and SC 3 heating Customers in buildings with one to four residential dwelling units ("Small DG Customers"). The second rate applies to SC 3 heating Customers in buildings with five or more residential dwelling units ("Large DG Customers").

The starting point in designing the DG delivery rates was the establishment of a delivery revenue requirement which is calculated under the assumption that all SC 1 and 3 Customers and corresponding SC 9 Customers take service under the new rate. The delivery revenue requirement was determined by applying the applicable SC 1, 3 and 9 delivery rates, effective October 1, 2004, to the annual gas usage associated with these Customers. In accordance with the Order, DG rates were designed assuming an average class load factor of 50%, including Customer's DG use, and an assumed average load factor for each respective service class prior to installation of DG facilities. This was accomplished by reducing the delivery revenue requirement by the revenues collected through the minimum charge and multiplying the result by the ratio of the average load factor of Customers in each residential sub-class (SC 1 – 35%, SC 3 - 1-4 family - 30% and SC 3 – five family and above – 40%) to the 50% load factor. Using this reduced delivery revenue requirement, separate DG rates were then designed for Small and Large DG Customers based on their respective revenue requirement. For purposes of establishing one common delivery rate for Small DG Customers, the Company combined the delivery revenue requirement for the small residential Customers within SC 1 and 3.

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As explained below, the delivery rates are comprised of a minimum charge with a single year round charge for Small residential DG Customers and summer and winter seasonal charges for Large residential DG Customers.

Rates for Small Residential DG Customers

The rates for Small DG Customers in SC 1 and SC 3 are comprised of the following components: (1) a $14.54 per month minimum charge for the first 3 therms (or less) of gas usage; and (2) an as-used charge for all usage over 3 therms per month of 23.96 cents per therm.

The $14.54 per month minimum charge is based on the Company's average embedded customer costs of its SC 1 residential non-heating class. The average customer costs for SC 1 non-heating Customers was used in establishing the minimum charge for all small residential DG Customers in order to establish a single minimum charge applicable to similarly situated Customers in one to four family buildings. After accounting for the revenues to be collected through the minimum charge, the rate for usage over 3 therms was set to recover the balance of the combined reduced delivery revenue requirement for SC 1 and small SC 3 residential Customers.

Rates for Large Residential DG Customers

The rates for Large DG Customers in buildings with five or more dwelling units are comprised of: (1) a minimum charge for 3 therms (or less) of gas usage; and (2) seasonal as-used block rate charges based on the existing therm block structure of the Company's SC 3 residential heating service class.

The minimum charge is designed to recover the Company's average embedded customer costs of its SC 1 non-heating customer class of $14.54 per month less the average embedded meter equipment and meter installation costs, yielding a charge of $13.81 per month, plus the following metering charges applicable to Customers having different DG equipment ratings: $4 – 50 kw or less; $28 – greater than 50 kw but less than or equal to 250 kw and $85 - greater than 250 kw. The metering charges were computed by applying an annual carrying charge of 11.31% to the applicable meter equipment cost in each category, and converting the resultant costs to monthly charges.

The seasonal as-used block rate charges for usage over 3 therms were designed to recover the balance of the reduced delivery revenue requirement. Consistent with the Company's DG rates applicable to commercial Customers, the summer block rates were established at 10 percent less than the respective average annual rates with the winter rates set to proportionally recover the balance of the applicable revenue requirement. The winter period is defined to include the months of November through March and the summer period has been defined to include the months of April through October.

Other Applicable Provisions

- In addition to the above-described specific delivery charges, DG Customers will be subject to all the applicable rates and charges and other provisions of service of the Customer's otherwise applicable service classification. DG sales Customers will be subject to the monthly gas cost factor, the monthly rate adjustment and all other rates and charges applicable to the Customer's respective firm service class. DG firm transportation Customers

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will be subject to the SC 9 monthly rate adjustment, and the same firm transportation balancing charges as is applicable to non-DG Customers. In addition, all Customers taking service under Rider J will be treated the same as non-DG Customers regarding the curtailment of service.

- The Company's right to obtain access to a Customer's premises for inspecting the installation and operation of a Customer's DG facility will be the same as is permitted under current access provisions contained in the Company's existing Gas Tariff (i.e., paragraph C.1 of General Information Section III.8).

- Consistent with the Order and with the tariff provisions for commercial DG Customers, separate service lines will not be required for distributed generation service and non-distributed generation service provided to residential Customers taking service under the new Rider J. However, if existing service and/or upstream distribution facilities are inadequate, the Customer shall be responsible for all incremental costs incurred by the Company pursuant to the Company's Gas Tariff.

Notices

In accordance with Ordering Clause 5 of the Order, newspaper publication of the tariff revisions filed herein is waived.

Respectfully submitted,

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

By: ______________________________
Joel H. Charkow

Attachment
CC: All active parties (via e-mail)