



Orange and Rockland Utilities, Inc.  
4 Irving Place  
New York NY 10003-0987  
www.oru.com

November 2, 2004

Honorable Jaclyn A. Brillling  
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 Brillling:

Orange and Rockland Utilities, Inc. ("O&R" or "the Company") is filing today with the Public Service Commission ("the Commission") amendments to its Schedule for Gas Service, PSC No. 4 – Gas ("Gas tariff") in compliance with the Commission's Order Providing for Gas Service for Residential Distributed Generation in Case 02-M-0515 ("the Order"), issued August 4, 2004.

The changes to the Company's Gas tariff are set forth in the tariff leaves identified in Appendix A. The tariff leaves being filed today are issued on not less than one day's notice to become effective on November 3, 2004, on a temporary basis, in accordance with the Order.

### **Summary of Tariff Changes**

In compliance with the Order, the Company is implementing a new Service Classification ("SC") Rider to its Gas tariff, designated as Rider C. Rider C contains the rates and terms of service for firm sales and firm transportation of gas for residential customers that use gas to fuel on-site Distributed Generation ("DG") facilities.

### ***Eligibility***

Rider C is available to residential customers who are eligible to take service under SC Nos. 1 or 6 of the Company's Gas tariff. 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.

A customer's continued eligibility for service under Rider C 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 the 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 commercial customers

Honorable Jaclyn A. Brilling  
November 2, 2004  
Page 2 of 3

taking service under Rider B of the Company's Gas tariff 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, adjusted by a Company determined factor reflecting the relationship between the experienced actual Winter Peak Day Gas Usage and the highest 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 billing period divided by the number of days in the 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 C 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, the gas supplied to a DG facility under Rider C will not be separately metered. Customers taking Rider C will be billed for their total monthly-metered gas usage at the rates and charges of Rider C.

### ***Rate Design***

In accordance with the Order, the DG rate design will include an initial block charge, which includes the first 3 Ccf of gas, to recover customer costs and a single block rate for all usage above the 3 Ccf included in the initial block charge.

The starting point in designing the DG rates was to establish a delivery revenue requirement. For the purposes of establishing this revenue requirement, the Company assumed that all residential customers eligible for service under SC Nos. 1 or 6 of the O&R Gas tariff would take service under the new rate. The delivery revenue requirement was determined by applying the applicable delivery service rates of SC Nos. 1 and 6, effective November 1, 2004, to the annual gas usage of the Company's residential customers.

In accordance with the Order, the DG rates were designed assuming an average class load factor of 50 percent, including customers' DG use, and an assumed average residential class load factor of 30 percent prior to the installation of DG facilities. The initial block charge for the first 3 Ccf of gas or less was set at \$11.00<sup>1</sup>. The revenue requirement for the charge per Ccf for all gas usage above the first 3 Ccf was determined by reducing the total residential delivery revenue requirement by the revenues collected through the \$11.00 minimum charge and multiplying the result by the ratio of the 30 percent load factor and the 50 percent load factor.

---

<sup>1</sup> This change will become effective for all SC Nos. 1, 2, and 6 – Rate Schedule I customers on November 1, 2005 in accordance with the Joint Proposal approved by the Commission in its Order Approving the Terms of a Joint Proposal and Clarifying a Provision, issued October 23, 2003 in Case 02-G-1553.

Honorable Jaclyn A. Brilling  
November 2, 2004  
Page 3 of 3

The DG delivery charges include a first block charge of \$11.00 per month that includes the first 3 Ccf (or less) of gas use and a rate of 16.506 cents per Ccf for all monthly gas use above the first 3 Ccf of gas.

***Other Applicable Provisions***

- In addition to the above-described specific delivery charges, DG customers will also be subject to all the applicable rates and charges and other provisions of service of the customer's otherwise applicable service classification. In addition, all customers taking service under Rider C will be treated the same as non-DG customers regarding the curtailment of service.
- Consistent with the Order, if existing service and/or upstream distribution facilities are inadequate, the Customer shall be responsible for all incremental costs incurred by the Company to supply such service.

***Term***

In accordance with the Order, Rider C shall remain in effect at least through December 31, 2007.

**Notices**

In accordance with Ordering Clause 5 of the Order, newspaper publication of the proposed tariff changes is waived.

**Service to Parties and Company Contact**

O&R is serving a copy of today's filing on all parties. Please direct any questions pertaining to this filing to me at (212) 460-3308.

Respectfully submitted,



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

Attachment

CC: All active parties (via e-mail)

APPENDIX A

Case 02-M-0515

November 2, 2004

P.S.C. No. 4 Gas

Leaf 4            Revision 6

Leaf 94.15      Revision 2

Leaf 94.16      Revision 2

Leaf 94.17      Revision 0

Leaf 94.18      Revision 0