

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

July 30, 2004

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

**Re: Amendments to Gas Tariff -- Interruptible and Off-Peak Firm Gas Service
Criteria**

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, as it relates to service to interruptible and off-peak firm customers taking service under Service Classification ("SC") Nos. 9 and 12. The specific leaves being revised are identified in Attachment A. The tariff leaves bear an effective date of November 1, 2004. Related revisions to the Company's Sales and Transportation Operating Procedures Manual ("Operating Procedures") will be filed with the Commission (with copies sent to Staff and other interested persons).

Reasons for Filing

The tariff changes proposed herein are intended to address the problem that some of the Company's interruptible and off-peak firm customers continue to utilize gas during interruption periods. The Company's experience over the past few winters has demonstrated that current tariff provisions and unauthorized use charges have failed to create sufficient incentive for such customers to switch from gas to their alternate fuel or energy source when required to do so. Instead, these customers have demonstrated a willingness to pay a high price for unauthorized gas use in order to benefit from competitively-priced interruptible rates for the balance of their usage and thereby unfairly obtain a superior quality of service than is afforded other interruptible and off-peak firm customers. More important, interruptible and off-peak firm customers taking unauthorized gas ultimately threaten the reliability of supply to the Company's firm customers. The proposed tariff changes are necessary to properly remedy these situations.

Accordingly, the changes proposed in the revised tariff leaves are designed to increase the economic penalties for non-compliance with Company-directed interruptions and to introduce stricter rules regarding proper maintenance of the Customer's alternate fuel or energy equipment. In addition, the proposed tariff changes provide for repeat violators to be switched to firm service for non-compliance on two occasions so that the price paid by these customers will be commensurate with the "uninterrupted" service they seek to achieve by their actions under their current service classifications. Furthermore, interruptible or off-peak firm customers who were repeat violators in the 2003-2004 Winter Period have been notified of their status and will be subject to a "one-violation rule" during the 2004-2005 Winter Period as described below.

Summary of Tariff Changes

The Company is proposing the following changes to its SC 9 and SC 12 tariffs:

- For each Winter Period, if an interruptible or off-peak firm customer fails to fully interrupt its use of gas (except for any permitted use of gas for ignition) for any two (2) interruption periods (including any planned interruptions) ("two-violation rule"), the Company will transfer that customer to the otherwise applicable firm service classification commencing with the billing month following the month in which the second violation occurs (unless the Company has received written notification that the customer has chosen instead to have its gas service terminated at that time).¹ Customers transferred to firm service due to having committed two violations will not be permitted to return to interruptible or off-peak firm service for the remainder of the current Winter Period plus the next twelve succeeding months. For periods thereafter, the customer may reapply for interruptible or off-peak firm service not less than 90 days prior to the proposed commencement date, except that the customer may not request a commencement date that falls within the period from November 1 through March 31. Requiring the customer to remain on firm service for the remainder of the current Winter Period plus the next twelve succeeding months, and not permitting the customer to return to interruptible or off-peak firm service during a Winter Period will enable the Company to better plan to meet firm customer requirements. For the same reasons, the tariff was revised to provide that customers who voluntarily switch from interruptible or off-peak firm service to firm service remain on firm service for the remainder of the current Winter Period plus the next twelve succeeding months (the current tariff requires any interruptible or off-peak firm customer switching to firm service to remain on firm service for twelve months).

¹ For any customer(s) for whom the Company must first install additional facilities in order to render firm service or where the customer elects to terminate gas service and additional facilities are required for the provision of ignition fuel only, the Company will establish appropriate arrangements for the installation of such facilities.

- A customer's failure to interrupt its use of gas due to documented inoperable dual-fuel facilities (including associated customer-installed phone lines) counts as a violation towards the above-described two-violation rule with one exception for each Winter Period. On one occasion during each Winter Period, a customer's failure to interrupt the use of gas due to documented inoperable dual-fuel facilities will not be counted as a violation provided that the customer (i) notifies the Company within one hour of the failure of its equipment; (ii) repairs and makes operable its dual-fuel equipment within forty-eight (48) hours of the equipment's failure; and (iii) provides the Company with an affidavit or other sufficient documentation that it has repaired and made operable its dual-fuel equipment and immediately complies with the earlier of the ongoing interruption or a separate planned interruption. All three conditions must be satisfied for this exception to the two-violation rule to apply. During the 48-hour repair period, the customer will be subject to other applicable penalties set forth in the Company's Schedule for Gas Service, including the applicable Service Classification and the Company's Sales and Transportation Operating Procedures (including the unauthorized use charge but excluding the non-compliance charge for inoperable dual-fuel facilities). Accordingly, although this tariff revision imposes stricter rules regarding proper maintenance of dual-fuel facilities, it allows customers an opportunity to correct an equipment failure and, subject to satisfying the above conditions, remain on interruptible or off-peak firm service.
- A customer who was sent written notice of its failure to comply with interruptions on two or more occasions during the 2003-2004 Winter Period must fully interrupt its gas usage during every one of the Company's interruptions during the 2004-2005 Winter Period. Failure of such a customer to comply with even one interruption (except for one documented case of equipment failure, as described above) will result in the Company transferring that customer to the otherwise applicable firm service class commencing with the next billing month (unless the Company has received written notification that the customer has chosen instead to have its gas service terminated at that time). The customer would then be subject to the same rules for returning to interruptible or off-peak firm service as indicated in the first item on the previous page. This tariff revision addressing non-compliant customers during the 2003-2004 Winter Period reflects a compromise as to the more severe actions that the Company was otherwise entitled to take for these past violations.
- In order to improve the economic incentive for compliance with Company-directed interruptions, the Unauthorized Use Charges for interruptible and off-peak firm customers were revised to reflect a three-tiered approach equal to the higher of: (i) Two times the sum of the market gas price plus the applicable Interruptible or Off-Peak Firm transportation rate; (ii) Nine times the applicable Interruptible or Off-Peak Firm sales rate or (iii) \$4.50 per therm. As will be described in the Company's Operating Procedures, the market gas price will be indexed to the daily Transco Zone 6 Citygate midpoint price as published in Platt's *Gas Daily*.

- The Company removed the provision that provides a fifty percent reduction to the unauthorized use charge billed during the first four hours of an interruption when a customer is unable to switch from gas to its alternate fuel or energy source and notifies the Company of such situation prior to or within one hour of the implementation of the interruption. This provision is contrary to the Company's stricter "two-violation rule" (with one documented exception) and the proposed higher economic penalties for non-compliance.
- The definition of unauthorized gas usage by an interruptible or off-peak firm transportation customer was clarified to eliminate gas used during a period when the Company is interrupting its interruptible sales, off-peak firm sales, or power generation customers or when the Company declares an OFO. Unauthorized Use Charges will continue to apply to gas used when transportation is interrupted.
- The Prepayment for Facilities Provision contained in SC 9 and 12 has been revised to require any new interruptible or off-peak firm customer commencing service on or after November 1, 2004 to install a separate meter for gas used for ignition purposes so that such usage can be billed under the applicable firm rate. Existing customers will be grandfathered and will continue to be allowed a minimum acceptable level of gas usage during the hours of interruption. Currently, SC 12 Rates 1 and 2 sales customers are allowed a minimum level of 10 therms during the hours of interruption for notification customers or 10 therms per day for temperature-controlled customers. The proposed tariffs reflect a minimum ignition level of 2 therms per hour for both notification and temperature controlled customers. The same allowance has been added to the tariff applicable to SC 9 interruptible or off-peak firm transportation customers. This change better reflects the current level of ignition gas being used by existing customers.

Notices

The Company will provide for public notice of the changes proposed in this filing by means of newspaper publication once a week for four consecutive weeks prior to November 1, 2004. Enclosed is a proposed form of Notice of Proposed Rule Making for publication in the State Register pursuant to the State Administrative Procedure Act.

Sincerely,

Joel H. Charkow
Director
Rate Engineering

P.S.C NO. 9 – GAS

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Superseding Revision 0

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