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THE BROOKLYN UNION GAS COMPANY

One MetroTech Center

Brooklyn, NY 11201

September 25, 1998

Honorable John C. Crary  
Secretary  
Public Service Commission  
State of New York  
Three Empire State Plaza  
Albany, New York 11223

*Re: Brooklyn Union Gas Co. - Case Nos. 95-G-0761 and 98-G-0824*

Dear Secretary Crary:

Enclosed for filing with the Commission are five (5) copies of First Revised Leaf Nos. 1 through 458 inclusive of Schedule for Gas Service, P.S.C. No. 12-GAS, issued by The Brooklyn Union Gas Company ("Brooklyn Union" or "Company") on September 25, 1998 to become effective October 1, 1998 (P.S.C. No. 12-GAS). P.S.C. No. 12-GAS, which supersedes and replaces Schedule for Gas Service, P.S.C. No. 11-GAS (P.S.C. No. 11-GAS) in its entirety, is being transmitted electronically and will be sent via overnight mail.

These leaves are being filed in compliance with the Commission's "Order on Review of Rate Plan Filing" issued on September 22, 1998 in Case 95-G-0761 ("September 22 Order") and the Commission's "Order Adopting Provisions of Settlement Agreement" issued on August 27, 1998 in Case 98-G-0824 ("August 27 Order"). The enclosed filing includes revised tariff leaves that comply with the September 22 Order and the August 27 Order.

The September 22 Order was issued following a review by the Commission of the June 1998 Filing by which Brooklyn Union proposed P.S.C. No. 12-GAS in order to effectuate a number of "housekeeping" changes to P.S.C. No. 11-GAS. The June 1998 Filing also proposed certain substantive changes as permitted by, and in compliance with, the Commission's Opinion No. 96-26 in Case 95-G-0761.<sup>1</sup> The August 27 Order was issued following a review by the

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Brooklyn Union Gas Co., Case 95-G-0761, Opin. No. 96-26 (Sept. 25, 1996). By Opinion No. 96-26, the Commission approved the "Stipulation and Agreement Resolving Corporate Structure Issues and Establishing Multi-Year Rate Plan" (Holding Company Agreement). The Holding Company Agreement, *inter alia*, permits Brooklyn Union to file new tariff leaves issued on June 1, 1997 (and each June 1 thereafter through June 1, 2001) (referred to

Commission of a "Stipulation and Agreement Resolving Issues Concerning Unbundled Transportation Rates"<sup>2</sup> in Case 98-G-0824.<sup>3</sup>

The revised tariff leaves transmitted herewith reflect the following changes from the leaves filed as part of the June 1998 Filing:

(1) an intraclass reblocking of Service Classification (SC) No. 3 (Multi-Family Residential). As part of the June 1998 Filing, the Company proposed that SC 3 contain four, rather than the existing two blocks. In accordance with the September 22 Order, the current SC 3 rate structure will be retained as follows:<sup>4</sup>

First 3 therms or less per month . . . . .	\$11.15
All over 3 therms per month . . . . .	\$ .220

(2) a provision that the term of the Premium Service Appointment offering will be February 1, 1999 through May 31, 1999;<sup>5</sup> and

(3) a change in the corporate officer responsible for issuing the leaves to reflect certain organizational changes at the Company.

In compliance with the August 27 Order, the tariff leaves submitted herewith reflect the following substantive changes to the existing tariff:

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as the June 1 Filing(s)) to "reflect revisions to Core Service rates and Temperature Controlled Service rates implementing the revenue requirement and rate design changes described in [the Holding Company] Agreement." Holding Company Agreement at 8. On May 29, 1998, with the consummation of the business combination between Brooklyn Union and MarketSpan Corporation, the "Stipulation and Agreement", approved by the Commission in its Opinion 98-9 issued April 14, 1998 in Case 97-M-0567 (Combination Agreement), superseded portions of the Holding Company Agreement. Those portions of the Holding Company Agreement not superseded are contained in Appendix A to the Combination Agreement. The provisions authorizing the June 1 Filings were not superseded and are contained in that Appendix.

The Stipulation is attached to the August 27 Order.

Under the Holding Company Agreement approved in Case 95-G-0761, the parties agreed to hold further discussions regarding the allocation of costs among sales and transportation service customers and revisions, if any, to Brooklyn Union's sales and transportation rates. Case 98-G-0824 was instituted for the purpose of completing the review of these issues.

See First Revised Leaf No. 163. The revised SC No. 3 rates reflect both the September 22 Order as well as the reallocation of fixed gas costs required by the August 27 Order.

See First Revised Leaf No. 35

(1) a reduction in the rates charged to SC Nos. 1A, 1AR, 1B, 1BI, 1BR, 2, 3, 4A, 4B, 7, 16 and 17 to reflect a reduction in the allocation of fixed gas costs to SC Nos. 6C, 6G and 6M;<sup>6</sup>

(2) a change in the allocation of capacity release credits associated with the net volume of interstate pipeline capacity made available as a result of conversion of core customers to firm transportation service under SC No. 17;<sup>7</sup>

(3) changes in the allocation of pipeline refunds to SC Nos. 16 and 17;<sup>8</sup>

(4) a change to SC No. 16 to permit transportation customers to reduce winter season delivery requirements once the Company has determined that design winter conditions will not be experienced;<sup>9</sup>

(5) changes to SC No. 18 to provide that (i) customers' daily delivery requirements will be based on normal weather requirements, (ii) all customers will not be required to deliver gas on days that their deliveries are interrupted for the full days, (iii) large volume customers will not be required to deliver gas, on days that they burn an alternate fuel for the entire day, and (iv) the Company will use reasonable efforts to provide customers with twenty-four hours notice of interruption;<sup>10</sup>

(6) changes to SC Nos. 16, 17 and 18 to (i) provide that the Company will not object to imbalance trades that otherwise comply with the tariff, (ii) eliminate existing aggregation program limitations, and (iii) modify the circumstances in which the Company is permitted to review customer contracts.<sup>11</sup>

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*See First Revised Leaf Nos. 71, 76, 140, 144, 148, 152, 153, 156, 159, 160, 163, 164, 167, 168, 171, 229, 301, 302, 303, 339, 340 and 341. The reduction in the allocation of fixed gas costs to SC Nos. 6C, 6G and 6M is offset by an increase in the margins derived from these service classes. Similarly, the reduction in base rates to SC Nos. 1A, 1AR, 1B, 1BI, 1BR, 2, 3, 4A, 4B, and 7 will be offset by an increase in the fixed gas costs paid by these service classes. Thus, these changes are revenue neutral from the Company's perspective.*

*See First Revised Leaf Nos. 67 and 68.*

*See First Revised Leaf Nos. 84, 85, 309 and 346.*

*See First Revised Leaf Nos. 306 and 407. In certain instances, changes to SC Nos. 16, 17 and/or 18 require conforming changes to SC 19. Where appropriate, SC No. 19 leaves will also be referenced herein.*

*See First Revised Leaf Nos. 377, 382 and 410.*

*See First Revised Leaf Nos. 298, 311, 315, 336, 348, 352, 381, 385, 416 and 419*

Pursuant to the September 22 Order and the August 27 Order, the Company is filing the new tariff leaves with an effective date of October 1, 1998. Also, pursuant to the September 22 Order and the August 27 Order, the Company will complete newspaper publication concerning the proposed tariff changes within six weeks of the effective date of the new tariff leaves and file proof with the Commission that such publication has occurred.

The Company respectfully reserves its rights with respect to any and all aspects of the September 22 Order with which it disagrees, including, but not limited to, those portions of the order which denied certain of the proposals contained in the Company's June 1998 Filing. In this regard, the September 22 Order (*mimeo* at 6) provides that while the SC 3 rate structure should be retained at this time, the matter required "further consideration." Accordingly, Brooklyn Union respectfully requests that the Commission consider the SC 3 rate structure at its next open public meeting scheduled for October 7, 1998 or as soon as practicable thereafter. This request is consistent with the Commission's discussion of this matter at its September 16, 1998 session where the Commission indicated that it would examine the SC 3 rate structure at its next session or soon thereafter.

Copies of this transmittal letter and the enclosures are being served this day by regular mail on all active parties to Case Nos. 95-G-061 and 98-G-0824. a copy of this letter and the enclosures also are being provided to Ms. Judith Chomycz, Tariff Administrator - Electric Division. Since this filing is being made electronically, the hard copy version of the leaves enclosed herewith do not comply strictly with the requirements regarding the construction and filing of tariff schedules contained in Part 270 of the Commission's regulations, 16 NYCRR Part 270. Accordingly, the Company request such waivers as may be necessary to permit the proposed leaves to become effective.

Kindly acknowledge receipt of this letter and the enclosures by date stamping the enclosed copy hereof and returning it in the self-addressed envelope provided for your convenience.

Respectfully submitted,

THE BROOKLYN UNION GAS COMPANY

BY: \_\_\_\_\_  
Executive Vice President and  
Chief Financial Officer

Encls.

cc(w/encls): Hon. Robert Garlin  
Presiding Administrative Law Judge

Saul A. Rigberg, Esq.  
Staff Counsel

All Parties to Case Nos. 95-G-061 and 98-G-0824