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KEYSPAN GAS EAST CORPORATION D/B/A BROOKLYN UNION OF L.I.  
175 East Old Country Road  
Hicksville, NY 11801

January 5, 2001

Honorable Janet H. Deixler  
Secretary  
New York State Public  
Service Commission  
Executive Office, 14th Floor  
Three Empire State Plaza  
Albany, New York 12223

Dear Secretary Deixler:

KeySpan Gas East Corporation d/b/a Brooklyn Union of Long Island ("Company") hereby files electronically the following tariff leaf to become effective March 11, 2001:

First Revised Leaf No. 129.1

to Schedule for Gas Service, P.S.C. No. 1.

On December 28, 2000 the Company filed with the Commission its Statement of Rates & Charges for Interruptible Service to be effective January 1, 2001. Due to increases in the wholesale price of natural gas coupled with the pricing mechanisms contained within the conditions for service under Service Classification No. 4 - Interruptible Gas Service (SC No. 4), the floor price calculation exceeded the ceiling price. The Company had no choice but to file a ceiling price for sales service at \$10.18 per dth and a floor price at \$23.00 per dth. Obviously, the Company is not willing to sell gas to interruptible customers at a price which is lower than our cost to provide service. Therefore, we were left with no other recourse but to curtail service to our interruptible customers.

The purpose of this filing is to eliminate the ceiling price prescribed under S.C. No. 4 for this winter only, and to set the prescribed price for such sales service at the Company's Incremental Cost of Gas plus \$0.10/dth. Such action would eliminate the need for the Company to curtail service to S.C. No. 4 customers due to insufficient sales prices. Allowing this action to become effective for this winter only will benefit customers and the general public in the following ways:

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- C Sales service under S.C. No. 4 will remain an option for customers taking such service provided the Company is physically able to provide the gas.
- C Retention of the ceiling price forces customers to use fuel oil at a time when distillate fuel oil inventories are low. For the month of December 2000, inventory levels for Distillate Fuel Oil PADD I (East Coast) are 33% below the most recent 3 year average for the same period. This is based upon information published by the Department of Energy/Energy Information Association.
- C The entry of multiple natural gas marketers, as well as the customers ability to switch to an alternate fuel, prevents the Company from setting rates which are higher than the market rate. Should the Company's prices exceed the market price, customers can switch to an alternate fuel and/or seek service from another natural gas marketer. Also, competitive fuel oil prices for the month of January are significantly lower than the market prices for Natural Gas. As of December 27, 2000 the No. 6 oil, .3% sulfur price equivalent was \$6.22/dth and the No. 2 oil price equivalent was \$7.61/dth (both quotes are from the Journal of Commerce, Barge Consumer Prices). These price equivalents are less than 50% of the current market prices for natural gas delivered to the Company's citygate.

The Company respectfully requests relief from the ceiling price for this winter at a minimum. The Company further proposes that this measure be taken for this winter only and that the matter be included as part of its Industry Restructuring Proceeding due to resume by the end of February.

The Company also respectfully requests that this filing be permitted to become effective on one-day's notice under the Commission's emergency SAPA rules. Emergency treatment is warranted as being in the interest of preserving the general welfare because compliance with the advance notice and comment provisions of SAPA Section 202(1), which would not permit a decision until well into the winter heating season. The benefits to customers and the competitive market would be lost for that intervening notice and comment period. The Company also requests that this filing be approved as soon as possible by a one-Commissioner order.

If you have any questions regarding this filing, please contact Nancy Cianflone at (718) 403-2505.

Sincerely,

M. Margaret Fabic  
Counsel

MMF:dh  
Enclosures