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THE BROOKLYN UNION GAS COMPANY

One MetroTech Center

Brooklyn, NY 11201

June 1, 1998

John C. Crary, Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, NY 12223

Dear Secretary Crary:

Re: Brooklyn Union Gas Co. - Case 95-G-0761

Enclosed for filing with the Commission are five (5) copies each of the Original 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, Company) on June 1, 1998, to become effective on October 1, 1998 (New Tariff). In furtherance of the Commission's recent proposal in Case 97-M-0508, this filing is being transmitted electronically,¹ as well as by hand delivery this day.

The tariff leaves being filed herewith serve two purposes. First, reflecting the Commission's apparent desire to receive tariffs in electronic format, as well as the need for Brooklyn Union to make numerous "housekeeping" changes to its present tariff (Schedule for Gas Service, P.S.C. No. 11-GAS) (Existing Tariff), which has been in effect for over twenty-seven years, and to present the Company's tariff in a more efficient manner, this filing would supersede and replace the existing tariff in its entirety. Attachment I hereto describes the organization (and corresponding leaf numbers) of the general terms and conditions of the New Tariff (as well as indications of the housekeeping changes), in comparison with the organization (and corresponding leaf numbers) of the Existing Tariff. Second, the tariff leaves filed herewith reflect certain substantive changes as permitted by and in compliance with the Commission's Opinion No. 96-26 issued September 25, 1996 in the above case (Opinion 96-26),² and reflect revisions expressly

Case 97-M-0508, "Notice of Proposed Rulemaking" (Jan. 27, 1998).

Brooklyn Union Gas Co., Case 95-G-0761, Opin. No. 96-26 (Sept. 25, 1996). By Opinion 96-26, the Commission approved the "Stipulation and Agreement Resolving Corporate Structure Issues and Establishing Multi-Year Rate Plan" (Holding Company Agreement) among Brooklyn Union, the Staff of the Department of Public Service (Staff), the State Consumer Protection Board (CPB) and the City of New York (City) (collectively, "Signatory Parties"). 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 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 (comprising

contemplated by the Holding Company Agreement.

The tariff leaves transmitted herewith reflect the following substantive changes in the Existing Tariff:

1. An intraclass reblocking of Service Classification (SC) No. 3 (Multi-Family Residential). As revised, the class will contain four, rather than two blocks at the following rates:

First 3 therms or less per month	\$11.17 per therm
Next 47 therms	\$.778 per therm
Next 450 therms	\$.226 per therm
All over 500 therms per month	\$.159 per therm

The Company is proposing this reblocking in response to market conditions. The proposed restructuring of the rate blocks in SC No. 3 will enable the Company to compete more effectively in apartment buildings of eight or more families, for which the current rates generally are not price competitive, while allowing the Company to maintain a competitive position with alternate fuels in smaller buildings (those with 6-8 families). Market research results indicate that the proposed blocks will result in prices that are competitive with the price paid by smaller building owners for No. 2 fuel oil, the alternate fuel in the market. At the same time, the proposed rates are designed to attract and retain larger buildings as customers, since larger buildings are more likely to be owned or managed by customers that control more than one building, and thus have more market power to demand lower oil prices.

As reflected in the workpaper set forth in Attachment II, the proposed blocks satisfy the criteria set forth in subsection V.C.4.b of the Holding Company Agreement; hence, pursuant to subsection V.C.4.g. of the Holding Company Agreement, these blocks are deemed to be *prima facie* just and reasonable.

2. A further segmentation of the Company's natural gas vehicle class (SC No. 14), adding a third segment (Rate 3) which offers a 30% discount measured against the cost of diesel fuel to all customers who otherwise would use this fuel source. The Company also proposes to change the existing second rate segment (Rate 2), which applies to all customers who would otherwise fuel their vehicle with gasoline. The change increases the existing 15% discount off the cost of gasoline to 30%. Rates 2 and 3 are both subject to a floor price. Based on Brooklyn Union's experience with this class, it is the Company's opinion that additional segments are required to reflect more closely alternate fuel prices in this market. These changes are embodied in Original Leaf Nos. 269, 270, 277 and 278.

those components of the Long Island Lighting Company (LILCO) not sold to the Long Island Power Authority), the "Stipulation and Agreement" among Brooklyn Union, LILCO, Staff, and several other parties, approved by the Commission in its Opinion 98-9 issued April 14, 1998 in Case 97-M-0567 (Combination Agreement), supersedes 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.

3. The initiation, effective February 1, 1999 and continuing for a pilot period ending May 31, 1999, of "Premium Service Appointments," which are customer service appointments for such non-safety related services³ as meter locks and unlocks, kept by the Company within a shorter guaranteed time frame than is currently offered to the Company's customers.⁴ The cost of this service will be recovered from customers who elect this service through the charges reflected on the enclosed tariff leaves, and the Company believes that offering this service option will significantly enhance overall customer satisfaction. These charges, set at market-based prices (\$25 for a guaranteed appointment within a one hour window and \$20 for an appointment within a two hour window) are, as demonstrated on Attachment III, in excess of the incremental cost of providing Premium Service Appointments. Premium Service Appointments are consistent with the Holding Company Agreement and with established legal principles. Under Section V.C.10 of the Holding Company Agreement, the Company is permitted to propose certain changes in the level of service bundled into its current rates, with customers having the option to "self-select" the level of service they desire. Under this provision, Brooklyn Union is permitted to offer variations in service levels relating to items such as meter reading method and frequency and other "value added" services, Premium Service Appointments are a value-added service. Moreover, Premium Service Appointments will not violate the prohibition against illegal service charges because the contemplated charges for this service will not be imposed to cause the Company to be "ready to serve," but rather to augment, at the customer's option, the level of service already provided to them.⁵ This proposal also is consistent with the provisions of the Home Energy Fair Practices Act (HEFPA)⁶ and the Commission's corresponding regulations⁷ because the charges for Premium Service Appointments will not be a condition to the receipt of service. The Company has conducted research through telephone surveys and has concluded that there is a significant potential market for Premium Service Appointments. Finally, Premium Service Appointments will not result in a degradation of customer service quality in general, nor will it impair the level of service to those customers who do not chose this service. These changes are embodied on Original Leaf Nos. 35 and 36.
4. A minor change to the language setting forth the eligibility requirements for service under SC No. 4A to more accurately reflect the intended criteria for qualifying for this rate. As revised, the language more clearly states that to qualify for the SC No. 4A rate, the Company will consider only the consumption levels of individual

There will be no change in the manner in which the Company will respond to safety related service calls.

Depending on Brooklyn Union's experiences with this initiative at the conclusion of the pilot period during which Brooklyn Union will offer Premium Service Appointments, the Company may elect to extend the program and will make any necessary filings with the Commission to implement such an extension.

Cf. Kovarsky v. Brooklyn Union Gas Co., 279 N.Y. 304 (1938) (to be an illegal service charge the charge must be made for the Company's "readiness to serve.").

N.Y. Pub. Serv. L. § 31(1), *et seq.*

16 N.Y.C.R.R. § 11.3; 16 N.Y.C.R.R. § 13.2.

pieces of gas-fired equipment and will not allow an applicant to satisfy the threshold consumption level by combining separate pieces of equipment to qualify for High Load Factor Service under this service class. This change is embodied on Original Leaf No.167.

5. An extension of the availability of Area Development Rates in Rider A to SC Nos. 2, 4B, 6C, 16, 17 and 18 and the business incentive rate for new and vacant premises in Rider B to SC Nos. 2, 4B, 6C, 16, 17 and 18. These economic development rates are scheduled to expire for new customers on September 30, 1998. As revised, eligibility for these rates will continue through September 30, 2002, coincident with the end of Brooklyn Union's current rate plan. These changes are embodied on Original Leaf Nos. 95 and 108.
6. Authority for the Company to impose up to \$100⁸ for the inability to read a non-residential meter after the fourth, fifth and sixth consecutive estimated bill⁹ and a \$25 fee for the inability to read a residential meter after the greater of eight months or four billing periods (collectively, the "Non-Access Fees"). These fees will be imposed on a recurring basis; that is, after the Company provides notice to the customer by the methods specified in the tariff and the Commission's regulations, the Company may impose additional Non-Access Fees at the same charge. These charges are entirely consistent with the Commission's regulations governing meter readings and estimated bills.¹⁰ The Company believes that the imposition of the recurring Non-Access Fees will provide a greater incentive for residential and non-residential customers to afford Company personnel access to their meters, thus reducing overall costs to the Company and its other customers. These changes are embodied on Original Leaf Nos. 30, 32, 33 and 34.
7. A provision that authorizes Brooklyn Union to collect certain costs associated with tampered equipment or theft of service. The Company believes that this proposal is a necessary and reasonable approach to deter meter tampering and related service thefts. This change is embodied on Original Leaf Nos. 19 and 120.
8. A reinstatement of the "Service Guarantee" formerly contained in Original Leaf No. 11F-1 of the Existing Tariff. The Service Guarantee, by which Brooklyn Union would provide a \$30 bill credit to any customer for which a scheduled service appointment was not fulfilled within the scheduled time period, was inadvertently eliminated by the Company in its June 1 Filing made in 1997 (1997 Filing). This feature had previously appeared in the leaf containing provisions relating to non-emergency, non-safety related appliance service activities. The Company detariffed these activities pursuant to section V.C.8 of the Holding Company Agreement and in the 1997 Filing, which became effective on October 1,

The Company proposes that the precise level of this fee may be changed from time to time by Statement to be filed with the Commission and to become effective fifteen (15) days following filing. The initial fee is being established at \$25.00.

Or, after the tenth, eleventh or twelfth consecutive bill rendered based on a remote registered, estimated, or customer reads.

16 N.Y.C.R.R. § 11.13(d) (authorizing the imposition of a \$25 Non-Access Fee); 16 N.Y.C.R.R. § 13.8(5) (authorizing the imposition of a \$100 Non-Access Fee).

1997, canceled the associated tariff leaves. In doing so, the Company also mistakenly canceled the Service Guarantee provision. Now that Brooklyn Union has discovered this oversight, it proposes to reinstate the Service Guarantee option as it benefits customers and promotes customer satisfaction. This change is embodied on Original Leaf No. 35.

9. A change in the eligibility criteria for individually negotiated Non-Core sales and transportation service under SC Nos. 5A, Rate 2, and SC No. 18, Rate Schedule NCT-5A, Rate 2, respectively, to permit operators of natural gas fueling stations to receive service under those classes without meeting the otherwise applicable minimum average daily consumption level. The Company believes that the pricing flexibility for these classes must be extended to such customers in order to keep the price of natural gas "at the pump" competitive with alternate fuels, and to continue to promote this growing market. This change is embodied on Original Leaf No.174.

Also enclosed as Attachments "IV" and "V" respectively are the following as to SC No. 3: (a) multi-page table showing equivalent monthly bills increased, decreased or unaffected, and (b) a table showing a comparison of present and proposed rates. The Company will prorate the difference in billing under present and new rates on the basis of the number of days remaining in the billing period after the effective date.¹¹

Company personnel have been working closely with Staff personnel to allow the enclosed tariff leaves to be in a format required to permit their receipt by the Commission electronically. Accordingly, the hard-copy versions 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 N.Y.C.R.R. Part 270.¹² Accordingly, the Company respectfully requests that the Commission grant the Company a waiver of any and all rules, regulations and policy statements that might be construed in a manner that would prevent the filed leaves from taking effect as proposed.

Copies of this transmittal letter and the enclosures are being served this day by either hand delivery or Federal Express dispatch on all parties entering an appearance, as reflected in the appearance list contained in Opinion 96-26, as well as on Administrative Law Judge Garlin. A copy of this letter and the enclosures also are being provided to MarketSpan. Judith Chomycz, Tariff Administrator - Electric Division. As provided in subsection VI.B.3.c of the Holding Company Agreement, this letter also will provide notice that a technical conference of the parties regarding the filing will be held on Monday, June 15, 1998, beginning at 10:30 am at the Commission's Downstate Offices at One Penn Plaza in New York City.

Also enclosed are three copies of a form of notice under the State Administrative Procedure Act related to this filing.

Since the only proposed rate change for gas sales or transportation service is the reblocking of SC No. 3, Attachments IV and V relate only to that class.

In addition, in order to minimize reprogramming costs as well as customer confusion, the Company is retaining the same numbering system for its service classifications as is contained in the Existing Tariff. Hence, the service classifications will not be consecutively numbered, as otherwise required by section 270.25(b) of the Commission's regulations (16 N.Y.C.R.R. §270.25(b)).

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,

Steven L. Zelkowitz

Of counsel for
The Brooklyn Union Gas Company

Encls.

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

Saul A. Rigberg, Esq.
Staff Counsel

All Parties