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THE BROOKLYN UNION GAS COMPANY
One MetroTech Center
Brooklyn, NY 11201

February 25, 1999

Ms. Debra Renner
Acting Secretary
Public Service Commission
Three Empire State Plaza
Albany, NY 12223

Re: Revisions to the Brooklyn Union Gas Company's aggregated transportation program (Service Classification No. 17 - Core Transportation and Service and Service Classification No. 19 - Transportation Aggregation Service)

Dear Acting Secretary Renner:

Attached for filing electronically with the Commission are the following tariff leaves, issued by The Brooklyn Union Gas Company ("the Company"), to become effective on or before May 21, 1999:

Second Revised Leaf Nos. 334, 335, 341, 342, 343, 344, 349, 402, 409, 410, 419 and Original Leaf No. 411.1

to Schedule for Gas Service, PSC NO. 12-GAS.

The purpose of this filing is to propose the following four changes to the aggregated transportation program:

1. Lower the Load Profile Factor cap and segment Daily Swing Service Demand Charge by residential and non-residential customer groups

2. Change the monthly cash out price from the Company's average cost of gas to a market based index

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3. Provide the Company the option of reducing the direct purchase transportation customer's and/or Seller's pool's daily delivery quantities during warmer than normal winter weather conditions

4. Offer direct purchase Human Needs transportation customers and/or Sellers the opportunity to backstop Standby Service for itself and/or the Human Needs customers in their pool.

These changes are being proposed as a result of the Company's internal review of our aggregation transportation program along with feedback solicited from marketers participating in our program. The following summary of changes will provide the detail and purpose associated with each change.

Summary of Changes:

1. Lower the Load Profile Factor cap and segment Daily Swing Service Demand charge by residential and non-residential customer groups

This proposal encompasses two changes. First, we are proposing to lower our current Load Profile Factor[1] cap from 8 to 5. The purpose of this change is to narrow the range between the low and high end of the load profile scale to more properly reflect the difference in the cost of providing balancing service between a low and high load factor customer. By reducing the Load Profile Factor cap from 8.0 to 5.0, weather sensitive customers with maximum Load Profile Factors would realize savings without affecting customers with more uniform usage.

The second proposal segments the Daily Swing Service Demand Charge by residential and non-residential customer groups. The Daily Swing Demand Charge is a multiple of the direct purchase transportation customer's and/or Seller's pool's Load Profile Factor. Low load factor customers and/or pools will yield high Load Profile Factors. As the Load Profile Factor increases (representing a poor load factor direct purchase transportation customer or pool), so will the balancing costs of such direct purchase transportation customer and/or Seller's pool increase. As a result, Sellers have been concentrating on adding high load factor customers (customers who have low Load Factor Profiles) to their aggregation pools. On average, residential customer segments (low load factor segments) have high Load Profile Factors whereas non-residential customer segments are the opposite, which hinders the growth of the residential transportation market. By splitting the Seller pool, each respective group will cover the cost of providing balancing service more accurately while the total annual swing costs of the Company continues to

[1] "Load Profile Factor" is determined based on the customer's maximum month's normalized consumption, divided by the minimum month's normalized consumption minus one.

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be collected. Further, by segmenting this charge by residential and non-residential customer groups within each Seller's pool, Sellers should become interested in such high load profile customers.

2. Change the monthly cash out price from the Company's average cost of gas to a market based index

The Company proposes to change its cash out price for direct purchase transportation customers taking service under S.C. No. 17 and for Sellers providing aggregated transportation service to transportation customers who would otherwise take service under S.C. No. 17 from cost-based prices to market based prices. This change should relieve such direct purchase transportation customers and/or Sellers of any bias that may exist due to basis differences in the cost of Company purchased gas and the actual market value of gas. Currently, the Company's monthly average cost of gas tends to be lower than market-based prices quoted to the Company's citygate. For example, during warmer periods when a direct purchase transportation customer and/or Seller's pool consumes less than amount of gas delivered on its behalf, the direct purchase transportation customer and/or Seller is currently cashed out at the Company's's average commodity cost of gas. From November 1, 1998 to January 31, 1999, this cost has been, on average, $0.35/Dth lower than the Company's proposed market based price. By revising the cash out price, direct purchase transportation customers and/or Sellers will be cashed out at prices more closely aligned with prevailing procurement prices. The Company proposes to use the "Market Center Spot-gas Price, Northeast, Transco Zone 6 Index" as published in "Inside FERC's Gas Market Report," as its monthly cash-out price. This index price is currently used as a cash-out price by Consolidated Edison of New York.

3. Provide the Company the option of reducing the direct purchase transportation customer's and/or Seller's pool's daily delivery quantities during warmer than normal winter weather conditions

Under this proposal, the Company may, at its sole discretion, require the direct purchase transportation customer and/or Seller to reduce daily deliveries on one or more days during any winter month (November through March, both inclusive) to prevent surplus deliveries when the temperature is projected to be warmer than normal. This provision will be used to avoid large surplus deliveries of non-utility gas supplies, thus avoiding large month end cash-outs.

4. Offer direct purchase Human Needs[2] transportation customers and/or Sellers the

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[2] A human needs customer is one who or which cannot be without sufficient energy backup and will need to call upon the local utility company in the event all of his or its alternative energy options fail. Examples of such customers would include, but are not limited to, schools, hospitals, dwellings where gas is used for heating, cooking and comparable residential requirements, and

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<u>opportunity to backstop Standby Service for itself and/or the Human Needs customers in their pool.</u>

The Standby Service proposal provides direct purchase Human Needs transportation customers and/or Sellers providing service to Human Needs transportation customers an opportunity to guarantee firm deliveries to such Human Needs transportation customers. Currently, Human Needs transportation customers are required to pay a monthly Standby Service Demand Charge to the Company to ensure that upstream capacity is available in the event of a marketer failure. This proposal gives direct purchase Human Needs customers and/or Sellers an opportunity to demonstrate their ability to serve their Human Needs transportation customers on a firm basis and in exchange, the Company will waive standby charges for the direct purchase Human Needs transportation customer and/or Human Needs customers in such Seller's pool. The direct purchase Human Needs transportation customer taking advantage of this option and the Human Needs customers of a Seller taking advantage of this option will benefit by receiving reduced on-system transportation charges from the Company. Upon breach of the terms of this option by the direct purchase Human Needs transportation customer or Seller, the Company will revoke the option for one year and require the direct purchase Human Needs transportation customer and/or the Human Needs customers of the Seller to pay Standby Gas Demand Charges for the next consecutive twelve months. The Company requests the right to reevaluate this option after one year.

Standby Demand Charges will be waived for an Human Needs transportation customer provided that the direct purchase Human Needs transportation customer or such customers' Seller satisfies either one of the following two options:

Option 1) The direct purchase Human Needs transportation customer or Seller shall demonstrate, to the Company's satisfaction, no later than the close of business on the first day of the NYMEX three day settlement, that he has committed to either primary receipt point capacity to the Company's citygate or primary receipt point natural gas deliveries to the Company's citygate in a quantity sufficient to supply the Average Daily Delivery Quantity (ADDQ) for such Human Needs requirements for the upcoming month; and,

The direct purchase Human Needs transportation customer or Seller shall provide the Company a written agreement assigning to the Company the rights of such direct purchase Human Needs transportation customer or Seller to either their primary receipt point capacity to the Company's citygate or primary receipt point natural gas deliveries to the Company's citygate in a quantity sufficient to supply the Average Daily Delivery Quantity (ADDQ) for such Human needs requirements. In the event the direct purchase transportation customer or Seller fails to deliver gas to the citygate to meet their ADDQ requirement under this

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option for three consecutive days, the Company may call upon its assignment rights to the direct purchase transportation customer's and/or Seller's assets.

Option 2) The direct purchase Human Needs transportation customer and/or Seller may provide the Company with a letter of credit in lieu of assigning to the Company either primary receipt point capacity to the Company's citygate or primary receipt point natural gas deliveries to the Company's citygate, when one or both is not demonstrated in the first option. The letter of credit posted shall be equal to the cost of procuring fully delivered natural gas necessary to supply the Human Needs customer(s)' maximum monthly ADDQ. Such cost shall be computed by multiplying the Human Needs customer(s)' maximum monthly ADDQ by the Company's Incremental Cost of Gas (ICOG) for the preceding January. The Company shall be given the authority to call upon such letter of credit in the event the direct purchase transportation customer and/or Seller fails to deliver gas to the Company's citygate to meet their applicable ADDQ requirement for three consecutive days.

If you have any questions regarding this filing, please contact Mark Marra at 718-403-3046.

Respectfully submitted,

THE BROOKLYN UNION GAS COMPANY

By: ________________________________

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Att.