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NATIONAL FUEL GAS DISTRIBUTION CORPORATION
10 Lafayette Square
Buffalo, NY 14203

May 13, 1999

Hon. Debra Renner
Acting Secretary
Public Service Commission
Three Empire State Plaza
Albany, New York 12223

Re: Proposed Tariff Amendment and
Request for Emergency Procedure

Dear Acting Secretary Renner:

National Fuel Gas Distribution Corporation ("Distribution" or the "Company") submits the following proposed amendment to its tariff, P.S.C. No. 8 - GAS:

Leaf No. 273 Revision 4
Leaf No. 274 Revision 3

The revisions are issued as of today for an effective date of June 12, 1999. As more fully described below, however, the Company requests that the tariff sheets become effective on June 1, 1999. Toward that end, the Company is requesting emergency procedure under the State Administrative Procedure Act ("S.A.P.A.").

Proposed Revisions and Background

Distribution proposes to amend Service Classification No. 19, Supplier Transportation, Balancing and Aggregation ("STBA") to permit the Company to provide a billing service for Suppliers serving aggregated retail customers. The above tariff revisions add a section to SC 19 that, if approved, will provide as follows:

* The Company may, in its discretion provide a "single bill" service to end-use customers on behalf of Suppliers. Although the service would be available without undue discrimination, the Company cannot anticipate all of the many billing needs that may arise. Thus the proposed section allows the Company discretion to deny billing service in circumstances where, "based on the capabilities of the Company*s Customer Information System", it cannot physically perform the functions required by an applicant Supplier. For example, a Supplier*s service offering may require more data fields than can be provided by Distribution*s billing system.

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* For purposes of taxation, a bill issued by Distribution bundling STBA Supplier charges is no different than a bill issued by Distribution for its own, traditional bundled sales service. Thus the section provides that all applicable taxes (e.g. Gross Receipts Tax and Sales Taxes) will be collected by Distribution and remitted to the proper taxing authorities, unless a waiver certificate has been secured by the Supplier.

* All bills issued by Distribution will be subject to laws, rules and regulations applicable to Distribution*s tariffed services. Thus bills issued to residential customers will be subject to the Home Energy Fair Practices Act, and bills issued to commercial and industrial customers will be subject to 16 NYCRR Part 13.

* The new language sets out an order-of-payment schedule similar to the agency billing arrangement under the Uniform Retail Billing Practices, where payment is first applied to utility bills.[1]

* Finally, the proposed amendment will permit the Company to, under the STBA tariff, utilize a billing methodology currently in practice under SC 20 for the Department of Social Services ("DSS") Transportation, Balancing and Aggregation program approved by the Commission in 1998.[2] As more fully explained below, the DSS Supplier serving both counties approved in the DSS Order has requested to organize a STBA Group, under SC 19, for DSS customers currently enrolled in the DSS program under SC 20. The Supplier has requested that Distribution seek emergency procedure for approval of the instant filing so that the DSS customers can be transferred into a STBA Group for service beginning June 1, 1999.

<u>Reasons for Making Proposed Revisions; Objectives</u>

There are two reasons for making the proposed revisions. The first, and more immediate reason is to accommodate the transfer of the DSS customers, described above, from the current DSS Groups under SC 20 to STBA Groups under SC 19. All customers on Distribution*s system, including DSS customers, may receive service under SC 19. From an administrative perspective, the transfer requested by the DSS Supplier can be accommodated with no change in retail service, except for billing. There are a number of differences between the STBA and DSS tariffs, but most of those differences relate to upstream capacity allocation and rate design, service components generally invisible to retail customers. Distribution has been advised by the DSS Supplier who manages the DSS program, Leveraged Energy Purchasing Corporation ("LepCorp"), that the request to switch from aggregation under SC 20 to STBA aggregation under SC 19 is driven by recent changes made to SC 19 allowing marketers to arrange for their

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[1] Case 98-M-1343, <u>In the Matter of Retail Access Billing Rules</u>, Order Granting Portions of Petitions for Rehearing (issued and effective April 15, 1999)(Appendix A).

[2] Case 98-G-0263, <u>Filing by National Fuel Gas Distribution Corporation to establish a new service classification</u>, Order approving Staff memorandum (issued and effective March 19, 1998) ("DSS Order").

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own upstream capacity.[3] According to LepCorp, these changes mean that greater savingsmay be achievable under SC 19 than under SC 20, notwithstanding features built into SC 20 intended to reduce Supplier capacity costs.

The billing arrangement permissible under SC 20, however, is not available under SC 19. See tariff leaf no. 275, Revision 2. As observed in the DSS Order, this feature of SC 20 is different than billing under SC 19:

> [T]he proposed tariff also allows the company the ability to perform additional billing services on behalf of the DSS supplier as provided by mutual agreement.
>
> The company indicates that existing billing arrangements between the company and both the Erie and Chautauqua County Departments of Social Services are expected to remain unchanged in an effort to minimize administrative disruptions and hold down costs. Toward that end, the tariff allows for the company to handle all billing matters involving the DSS supplier, its supplier/consultant agents, and NFG. In addition, a 'shadow bill' will be issued by NFG directly to all vouchered PA recipients showing the charges paid by DSS on the customer*s behalf. DSS Order at 6.

The proposed tariff amendments, if approved, will allow Distribution to maintain the current DSS billing arrangement with service provided under the STBA tariff, SC 19, as requested by LepCorp.

Urgent action is requested on this filing because LepCorp has requested that the DSS customers be transferred into STBA service under SC 19 beginning June 1, 1999. LepCorp states that greater customer savings can be achieved if the transfer is completed by that date. Furthermore, the DSS billing arrangement calls for payment transactions on a daily basis, beginning the first of the month. If the implementation date is delayed, service will be postponed a full month, denying DSS recipients enrolled in the program an opportunity for greater savings, as described by LepCorp.

The second reason for making the proposed revision is to allow the Company to provide retail billing for all STBA Suppliers who request a billing service. Although the marketer single-bill method allowed under SC 19 has been well received, many marketers request the Company to perform the billing function on their behalf. Because the Company already has a billing infrastructure in place, it is reasonable to offer a billing service to marketers who would rather not perform the function. This is especially useful for smaller marketers, of which there are many in western New York.

Significant enhancements to the Company*s current billing system are not necessary to provide a basic service for marketers. In order to accommodate the counties* DSS programs, the Company developed a basic billing service to produce the "shadow bill" described above. The shadow bill service has the capability to identify the marketer*s commodity charge in a stand-

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[3] See Case 98-G-0932 et al., The Future of the Natural Gas Industry and the Role of Local Gas Distribution Companies, Order Concerning Assignment of Capacity (issued and effective March 24, 1999).

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alone data field. Company charges for transportation service and taxes are separately stated. These functions will be incorporated into the Company*s Customer Information System for general availability.

Effect of Proposed Revisions

The proposed revisions are revenue-neutral. As explained above, system enhancements to perform a billing function were previously performed for DSS billing. Costly CIS upgrades are not anticipated for the basic billing service modeled on DSS billing. In the future, further enhancements to accommodate more complicated marketer billing arrangements may require system upgrades. The Company believes, however, that the market has not yet developed sufficiently, and is too uncertain, to justify additional expenditures on billing.

Newspaper Publication

The Company requests waiver of the requirement for newspaper publication for the reason that it would be an unnecessary expense. No customers are directly affected by the proposed changes, and marketers will be notified via the Company*s internet web site.

Special Requests

In addition to waiver of publication as stated above, the Company requests emergency procedure under section 202(6) of the S.A.P.A.. As mentioned above, emergency adoption is necessary to accommodate LepCorp*s request to transfer DSS customers into a STBA Group for service, and billing, beginning June 1, 1999. Immediate adoption would promote the public welfare by providing the means for DSS customer savings, as indicated by LepCorp. Compliance with the full notice requirements under S.A.P.A. would be contrary to the public interest because a delay in approval will deny DSS customers the potential savings made possible by the transfer to STBA service, which relies on approval of the tariff amendment proposed herein.

Company Contacts

Communications relating to this filing should be directed to the undersigned.

Conclusion

For all of the foregoing reasons, Distribution respectfully requests that the proposed tariff amendments be approved for an effective date of June 1, 1999.

Respectfully submitted,

Michael W. Reville

cc: Dennis Frank, LepCorp
Michael Boyd, Erie County DSS
Kevin Duggan, Erie County DSS
Ronald Getska, Chautauqua County DDS