

August 30, 2007

Jaclyn A. Brillling
Secretary
State of New York Public
Service Commission
Three Empire State Plaza
Albany, NY 12223

Re: Case 06-G-1386 - New York State Electric & Gas Corporation filed revisions to its gas tariff to establish a Bill Issuance Charge on customer bills pursuant to the Commission's Order issued February 18, 2005 in Case 00-M-0504

Dear Secretary Brillling:

At page 4 of its *Order Denying Tariff amendments*, issued December 22, 2006, in the above-referenced proceeding (the "Order"), the Commission directed New York State Electric & Gas Corporation ("NYSEG" or the "Company") to file tariff amendments to address the matters discussed in that Order.¹ The Commission also required that such tariff amendments must reflect collaboration with the Department of Public Service Commission Staff ("Staff") concerning two matters. First, the Commission required NYSEG and Staff to address what the Commission perceived to be a double recovery of bill issuance costs.² Second, the Commission ordered NYSEG to explore modifying its gas bill format to unbundle bill issuance costs in a manner that keeps such expenses as part of the basic service charge.³ NYSEG is pleased to report that the Company and Staff have discussed these matters and reached agreement concerning resolution of both issues.⁴ Accordingly, to resolve the matter raised in the NYSEG Petition, the Company is filing amended tariffs, listed on Attachment A, to become effective April 1, 2008.⁵

¹ Pursuant to the Order, NYSEG and Staff engaged in discussions to address the matters raised in that Order. The Secretary of the Commission authorized an extension of the time to file such tariff amendments to September 19, 2007.

² Case 06-G-1386, New York State Electric & Gas Corporation filed revisions to its gas tariff to establish a Bill Issuance Charge on customer bills pursuant to the Commission's Order issued February 18, 2005 in Case 00-M-0504, *Order Denying Tariff Amendments* (issued December 22, 2006), *mimeo*, p. 4.

³ *Id.*, *mimeo*, p. 5.

⁴ By letter dated January 22, 2007, NYSEG sought rehearing of the Order (the "NYSEG Petition"). In its application, NYSEG established that no double recovery arose under the Company's proposed treatment of bill issuance and payment processing ("BIPP") costs did not result in a double-recovery of

Jaclyn A. Brillling
August 30, 2007
Page 2

With respect to the issue concerning a "potential" double-recovery, NYSEG and Staff reviewed the history of the Commission's treatment of bill issuance and payment processing costs. As part of those discussions, the Company and Staff discussed the impact of the Commission's decisions to transition from backout credits to unbundled rates based upon cost of service studies. In particular, NYSEG and Staff addressed how the Company unbundled electric BIPP costs in its most recent rate proceeding, Case 05-E-1222. The Company also explained its recommendation to convert the existing \$.70 credit to an equivalent \$.70 charge for the remaining term of the Company's current gas rate plan. To develop gas BIPP costs in a manner similar to the current unbundled electric BIPP charge would result in a change in the currently-effective gas rate plan. Therefore, any proposal to develop gas BIPP costs based on the methodology used to develop electric BIPP costs would be appropriately addressed in the context of the Company's next gas rate plan.

Following those discussions, NYSEG and Staff agree that the perceived double recovery of costs does not arise under the methodology proposed by the Company. Specifically, the Company and Staff concur that there is no over recovery of revenues by the Company. NYSEG and Staff do, however, recognize that there will be two separate BIPP charges applicable to a combination customer receiving gas and electric supply from the Company while a single BIPP charge would apply to a gas-only or electric-only customer. The Company and Staff also understand that a combination customer receiving gas and electric supply from an energy services company would likewise receive two credits (gas and electric) for BIPP costs.

NYSEG and Staff now agree that the Company's gas tariff amendments to create a gas BIPP charge and to unbundle that charge from delivery rates and to show a gas BIPP charge of \$.70 may be permitted to become effective. NYSEG and Staff also reached agreement concerning the manner in which the unbundled BIPP charge would be shown on the customer's bill eliminating any concern that separately listing the BIPP cost would be inconsistent with the requirement of Public Service Law ("PSL") § 65 (6). As noted on page 4 of the Order, that section prohibits gas corporations from making or imposing "... an additional charge or fee for service." Although the Company's original proposal to separately state the BIPP charge was not intended to represent an additional charge, NYSEG agrees with Staff's request that the Company modify the definition section of its bill to clearly state that the BIPP represents an "itemized portion of" the bundled Basic Service Charge. Because the BIPP is an unbundled component of the

costs or reduce customer's bills by an incorrect amount. Upon Commission approval of the matters contained in this letter, the Company will withdraw its request for rehearing.

⁵ The proposed tariff amendments necessitate reprogramming within the Company's customer information system. System changes associated with other projects that resulted from other Commission actions have already been scheduled and the proposed effective date for the tariff amendments filed herein take into account these prior commitments.

Jaclyn A. Brilling
August 30, 2007
Page 3

Basic Service Charge and not an additional fee, the prohibition set forth in PSL § 65(6) does not arise.

In response to Staff's recommendation, NYSEG anticipates that its sister utility, Rochester Gas and Electric Corporation, would similarly modify the definition section of its bill to state that the BIPP represents an "itemized portion of" the bundled Customer Charge.

In the event the Commission determines that notice pursuant to the State Administrative Procedure Act is required, a notice for publication is enclosed. Please direct any questions concerning this filing to Lori Cole at (607)762-8710 or to me at (607) 762-7341.

Very truly yours,

Christine M. Stratakos
Manager – Pricing & Analysis
Rates & Regulatory Economics

cc: Active Parties

**New York Electric & Gas Corporation
Tariff Filing for Proposed Billing Issuance Filing
List of Proposed Tariff Leaves**

PSC No. 87 – Gas

Leaf No. 12, Revision 10
Leaf No. 12.1, Revision 3
Leaf No. 13, Revision 11
Leaf No. 14, Revision 10
Leaf No. 15, Revision 7
Leaf No. 15.1, Revision 2
Leaf No. 16, Revision 8
Leaf No. 17, Revision 11
Leaf No. 34.1, Revision 8
Leaf No. 43, Revision 8
Leaf No. 44, Revision 9
Leaf No. 47, Revision 7
Leaf No. 48, Revision 9
Leaf No. 52, Revision 5
Leaf No. 53, Revision 6
Leaf No. 55, Revision 3

PSC No. 88 – Gas

Leaf No. 50.26, Revision 7
Leaf No. 51, Revision 9
Leaf No. 52, Revision 8
Leaf No. 52.1, Revision 3
Leaf No. 52.2, Revision 3
Leaf No. 53, Revision 9
Leaf No. 53.1, Revision 10
Leaf No. 58, Revision 5
Leaf No. 68, Revision 9
Leaf No. 68.1, Revision 3
Leaf No. 68.2, Revision 3
Leaf No. 69, Revision 11
Leaf No. 69.1, Revision 7
Leaf No. 70, Revision 4
Leaf No. 73, Revision 3
Leaf No. 96, Revision 8
Leaf No. 96.1, Revision 6
Leaf No. 97, Revision 8
Leaf No. 98, Revision 11

Attachment A

Leaf No. 98.1, Revision 8
Leaf No. 101, Revision 10
Leaf No. 102, Revision 9
Leaf No. 102.1, Revision 8
Leaf No. 103, Revision 9
Leaf No. 104, Revision 9
Leaf No. 105, Revision 14
Leaf No. 113, Revision 8
Leaf No. 113.1, Revision 5
Leaf No. 126, Revision 2
Leaf No. 127, Revision 4