

KEYSPAN GAS EAST CORPORATION d/b/a KEYSPAN ENERGY DELIVERY LONG ISLAND
175 East Old Country Road
Hicksville, NY 111801

October 9, 2003

Jaclyn A. Brilling, Acting Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, NY 12223-1350

Re: **Case 99-G-1469**

Dear Secretary Brilling:

KeySpan Gas East Corporation d/b/a KeySpan Energy Delivery Long Island (KeySpan@ or ACompany@ hereby submits the following tariff sheet, to become effective December 1, 2003:

Fifth Revised Leaf 72
To Schedule For Gas Service, P.S.C. No. 1-GAS

KeySpan requests that the foregoing leaves be permitted to go into effect on December 1, 2003. The purpose of these tariff revisions is to continue without interruption the merchant function back-out credit currently in place for transportation customers. The merchant function back-out credit of \$.19 per dekatherm was established in the Company's Gas Restructuring Joint Proposal,¹ and is set to expire along with the Joint Proposal on November 30, 2003. These tariff revisions will maintain the back-out credit and the accompanying Transition Balancing Account for 18 months, until May 31, 2005.

The merchant function back out affords a credit on the KeySpan transportation bill to customers electing to purchase gas supply from an ESCO. The credit is also displayed on the bills of utility sales customers to inform them of potential savings should they choose to purchase commodity from an ESCO. The Joint Proposal established the merchant function back-out credit, a product of negotiations among the parties,² in tandem with a Transition Balancing Account, or ATBA@ The TBA, funded from various sources, serves as the lost revenue recovery mechanism for the Company to recoup revenue lost to the merchant function back-out credit, net of avoided costs.

¹ Case 99-G-1469, *Petition of the Brooklyn Union Gas Company and KeySpan Gas East Corp. for a Multi-Year Restructuring Agreement*, AOrder Adopting Terms of Gas Restructuring Joint Proposal@ (May 23, 2002). The Gas Restructuring Joint Proposal is an Attachment to this Order, and is referred to as the AJoint Proposal.@

² Joint Proposal at 6.

Hon. Jaclyn A. Brillling
Page 2

October 9, 2003

Together, the merchant function back-out credit and the TBA were intended as placeholders until such time as the Commission approved unbundled rates and a lost revenue recovery mechanism for KeySpan in Case 00-M-0504. (Joint Proposal at 8). While the Commission's decision in the Consolidated Edison Company of New York, Inc. and New York State Electric & Gas Corporation unbundling cases is pending as of this date in Case 00-M-0504, the Joint Proposal is set to expire on November 30, 2003. KeySpan's proposed revisions to the tariff will extend the existing merchant function back-out credit and the TBA until May 31, 2005. As envisioned by the Joint Proposal, the merchant function back-out credit and the TBA will be revisited at such time as the Commission approves unbundled rates and a lost revenue recovery mechanism for KeySpan in Case 00-M-0504.

On the understanding that the Commission deems a SAPA notice necessary, KeySpan attaches an emergency SAPA notice that would permit the revised tariff leaves to go into effect on December 1, 2003, the day following the expiration of the Joint Proposal, to assure that there is no interruption in customers receiving the benefit of the merchant function back-out credit.

Please call me at (718) 403-3073 if you have any questions or concerns.

Very truly yours,

Catherine L. Nesser

Cc: parties to Case 99-G-1469