

November 2, 2004

VIA ELECTRONIC

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

Re: Case No. 02-M-0515
Order Providing for Gas Service for Residential Distributed Generation

Dear Secretary Brillling:

The enclosed leaves, issued by New York State Electric & Gas Corporation ("NYSEG" or the "Company") are transmitted for filing in compliance with the requirements of the New York State Public Service Commission ("PSC" or "Commission").

PSC No. 87 - Gas

Leaf No. 3, Revision 5
Leaf No. 53, Revision 1
Leaf No. 55, Revision 0
Leaf No. 56, Revision 0
Leaf No. 57, Revision 0
Leaf No. 58, Revision 0

PSC No. 88 – Gas

Leaf No. 5, Revision 8
Leaf No. 113.1, Revision 2
Leaf No. 125, Revision 0
Leaf No. 126, Revision 0
Leaf No. 127, Revision 0
Leaf No. 128, Revision 0
Leaf No. 129, Revision 0

PSC No. 90 – Gas

Leaf No. 91, Revision 4
Leaf No. 95, Revision 6
Leaf No. 99, Revision 7

Effective: November 3, 2004.

Today's filing is in compliance with the Commission's Order Providing For Gas Service For Residential Distributed Generation, issued and effective August 4, 2004 in Case No. 02-M-

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0515 (the “August 4 Order”). These tariffs shall be effective on a temporary basis, on not less than one day’s notice, and shall not be made permanent until approved by the Commission.

Background

In instituting Case 02-M-0515, the Commission solicited comments regarding the development of rates for gas service to distributed generators (“DG”) and removing gas non-rate impediments to DG development.

NYSEG has previously filed gas rates for commercial and industrial customers who install baseload DG units¹. The August 4 Order requires local gas distribution companies (“LDCs”) to file residential gas DG rates tariffs for natural gas service to residential customers.

Overview

Today’s filing proposes to add Service Classification No. 11 – Residential Distributed Generation Firm Sales Service (“SC-11S”) to PSC 87 Gas, and Service Classification No. 19 – Residential Distributed Generation Firm Transportation Service (“SC-19T”) to PSC 88 Gas.

The Residential DG Rates have been designed in compliance with the Order and based on discussions with Staff. They include a minimum charge (e.g., basic service charge) and a volumetric charge (e.g., usage charge). The minimum charge was set to equal customer costs based on the otherwise applicable rate schedule (SC-1S, or SC-13T) from NYSEG’s Joint Proposal Phase 2B for October 1, 2008 rates². The volumetric charge was set to recover delivery system capacity related costs with billing units developed by increasing system sales volumes to achieve a 50% load factor based on design day demand.

NYSE&G has provided that customers may take their supply from NYSE&G or from another supplier. Customers who choose bundled sales service will pay the same Gas Supply Charge and Merchant Function Charge as other bundled rate customers. Customers who choose transportation service will pay the same Transportation Rate Adjustment as other similarly sized transportation customers. In addition, all residential heating DG customers will be subject to the Weather Normalization Adjustment.

As required by the August 4 Order, NYSE&G will report gas usage and load factor data to the Director of the Office of Gas and Water every six months beginning July 1, 2005. Daily usage and load factor data will be estimated by the Company. The data acquired during the

¹ Commercial and Industrial DG gas rates were filed in compliance with the April 24, 2003 Order in Case No. 02-M-0515.

² NYSEG Joint Proposal Phase 2B – Case No. 01-G-1668, approved by the Commission by order, issued and effective September 23, 2004.

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initial three year term for residential DG rates will be used by the Company to support modification of the rates on or after January 1, 2008. If NYSE&G chooses not to file modified residential DG tariffs, the Company shall file an analysis of the collected data on or before July 1, 2008.

Other Issues

Additionally, NYSEG has removed the non-residential DG service classes from the Weather Normalization Adjustment (WNA) requirement previously filed in compliance with the April 24, 2003 Order in this case. The WNA would not be applicable to the non-residential DG service classes since their heating load would be separately metered and billed.

NYSEG will petition for authority to defer any net lost revenues, revenues that are not offset by gains, in accordance with the August 4 Order.

The August 4 Order requires that Residential DG customers pay for any system reinforcements needed to serve them, pursuant to the Company's existing tariffs. This is reflected in the attached tariff leaves

The requirement of Section 66 (12) (b) of the Public Service Law as to newspaper publication is waived per the Order.

Service to Parties and Company Contact

NYSEG is serving a copy of today's filing on all parties. Please direct any questions pertaining to this filing to Cindy Reed at (607) 762-7656 or me at (607) 762-7341.

Very truly yours,

Christine M. Stratakos
Manager – Pricing & Analysis

Encs.

cc: All active parties (via e-mail)