



Melissa R. Nairn
Principal Analyst, Regulation & Pricing

June 15, 2010

Honorable Jaclyn A. Brilling, Secretary
State of New York
Public Service Commission
Office of the Secretary, 19th floor
Three Empire Plaza
Albany, NY 12223

RE: Case No. 09-M-0311 – Implementation of Chapter 59 of the Laws of 2009 Establishing a Temporary Annual Assessment Pursuant to Public Service Law §18-a(6); KeySpan Gas East Corporation – Annual Changes to Temporary Assessment Surcharge

Dear Secretary Brilling:

In compliance with the Commission's Order of June 19, 2009 in this proceeding ("Implementation Order"),¹ KeySpan Gas East Corporation, d/b/a National Grid ("Company") hereby files a Statement of Incremental State Assessment Surcharge No. 2 to P.S.C. No. 1-GAS to become effective on July 1, 2010.

On April 7, 2009, New York State enacted the budget for 2009-2010, which required the Department of Public Service to collect a Temporary State Energy and Utility Service Conservation Act Assessment (Public Service Law (PSL) §18-a(6)) ("Temporary State Assessment"), effective from April 1, 2009 to March 31, 2014. This Temporary State Assessment is applicable to electric, gas, steam and water corporations subject to the Commission's jurisdiction.

In the Implementation Order, the Commission directed all utilities in New York to file tariff amendments within ten business days to become effective July 1, 2009 and authorized collection of the Temporary State Assessment as well as General Assessment expense not reflected in utility rates for the period April 1, 2009 through March 31, 2014. For the years from July 1, 2010 through June 30, 2014, each utility is required to file on 15 days' notice annual changes to its Temporary State Assessment surcharge tariffs (tariff statements) that reflect the revenues it seeks to recover from its customers for the purpose of paying the Temporary State Assessment for the applicable State Fiscal Year.

¹ Case 09-M-0311, *Implementation of Chapter 59 of the Laws of 2009 Establishing a Temporary Annual Assessment Pursuant to Public Service Law § 18-a(6)*, "Order Implementing Temporary State Assessment" (issued June 19, 2009).

Honorable Jaclyn A. Brilling, Secretary

June 15, 2010

Page 2 of 3

The Company's computation of the Fiscal Year 2010/2011 Combined Temporary and incremental General Assessment reflects a decrease from its Fiscal Year 2009/2010 Combined Temporary and incremental General Assessment, as shown in Attachment 1 to this filing. This surcharge was filed with the Commission on June 30, 2009 as Incremental State Assessment Surcharge ("ISAS") to PSC No. 1 Gas:

Sixth Revised Leaf No. 119.50

First Revised Leaf No. 119.51

Eighth Revised Leaf No. 129.1

Seventh Revised Leaf No. 170

Statement of Incremental State Assessment Surcharge No. 1.

Also in accordance with the Implementation Order, the Company has included in Attachment 2 to this filing a reconciliation of actual ISAS costs incurred to projected ISAS recoveries plus applicable carrying charges net of taxes for the collection period July 1, 2009 through June 30, 2010. Because billing for this collection period is not yet complete, the Company is projecting the remaining amounts to be billed for this reconciliation. The reconciliation identifies an estimated under recovery of approximately \$1.2 million. Although the Implementation Order authorizes the Company to maintain the prior year's surcharge to improve its cash flow position should the Temporary State Assessment decrease, the Company's 2009/2010 under recovery more than offsets the decline in the 2010/11 assessment. Consequently, by maintaining the prior year's surcharge, the Company would be unable to collect its prior year's under recovery in a timely fashion. As a result, the Company seeks to increase the ISAS for the 2010/2011 State Fiscal Year to \$26.6 million, which would allow recovery of both the 2009/10 under collection and the projected 2010/11 assessment. This increase in the ISAS is necessary to avoid a mounting bill impact to customers. The increase in the ISAS is consistent with the Commission's statements in the Implementation Order that "any over- or under-recoveries from such reconciliations should be returned or charged to customers" with recovery of payments occurring "in as level a manner as possible throughout the five years that the Temporary Assessment is in effect."² As discussed in the Implementation Order, the Company has allocated the \$1.2 million under recovery to the customer service classes using the same class allocation method in which the ISAS was set (see Attachment 3).

Included with this filing are the following attachments:

Attachment 1: Computation of Annual Incremental State Assessment Surcharge

Attachment 2: Estimated Annual Reconciliation of Incremental State Assessment Surcharge Recoveries and Costs

Attachment 3: Calculate Revenue Allocators and Determine Estimated Incremental State Assessment Surcharge for Each Service Class

² Implementation Order at 35.

Honorable Jaclyn A. Brilling, Secretary

June 15, 2010

Page 3 of 3

Any questions regarding this filing should be directed to me at (718) 403-2974 or at Melissa.Nairn@us.ngrid.com.

Please advise me of any future action regarding this filing. Thank you for your assistance and cooperation.

Sincerely,

Melissa R. Nairn

Principal Analyst, Gas Pricing

CC: Robert Visalli

Active Parties of Case No. 09-M-0311