



June 30, 2009

Honorable Jaclyn A. Brillling, Secretary
State of New York
Public Service Commission
Office of the Secretary, 19th Floor
Three Empire State Plaza
Albany, New York 12223-1350

**Re: 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)**

Dear Secretary Brillling:

Pursuant to Ordering Paragraph No. 1 of the Commission's "Order Implementing Temporary State Assessment" issued June 19, 2009 ("June 19th Order"), KeySpan Gas East Corporation d/b/a National Grid ("the Company") hereby files the following tariff leaves and statement to become effective on July 1, 2009:

Sixth Revised Leaf 119.50
First Revised Leaf 119.51
Eighth Revised Leaf 129.1
Seventh Revised Leaf 170
Incremental State Assessment Surcharge No. 1
to P.S.C. No. 1-GAS

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 ("Temporary State Assessment") effective from April 1, 2009 to March 31, 2014. The Temporary State Assessment is projected to generate \$540 million in additional revenue during the 2009-2010 State Fiscal Year and is applicable to electric, gas, water and steam corporations subject to the New York State Public Service Commission's jurisdiction.

Hon. Secretary Brilling
June 30, 2009

Page 2

Leaf 119.50 contains the Incremental State Assessment Surcharges that will recover the Temporary State Assessment imposed pursuant to Chapter 59 of the Laws of 2009, Public Service Law §18-a(2) and §18-a(6) ("18-a Assessment") plus the amount of the State's General Assessment not recovered in base rates, plus other allowable costs as set forth in the June 19 Order over a 12-month period beginning July 1, 2009. The Incremental State Assessment surcharge will be revised each July 1st thereafter continuing through June 30, 2014. Leaves 129.1 and 170 revise the Company's current ceiling price for its interruptible and temperature controlled customers served under Service Classification Nos. 4, 7, 12 and 13 to permit the assessment of the applicable surcharges.

The proposed surcharges reflect a forecast of applicable carrying charges calculated at the Company's pre-tax rate of return of 11.52% and uncollectible expenses at the allowed net write-off rate reflected in base rates, 0.75%.

In order to develop the Incremental State Assessment Surcharges, the Company allocated its 2008 assessable utility revenues among its various firm and non-firm sales and transportation classifications. These service classifications were then consolidated into six major categories: Residential Non-Heating, Residential Heating, Commercial, Multi-Family, Other Firm and Non-Firm in order to determine the percentage of each category's revenue contribution to the Company's total revenues. The assessment surcharge was then allocated to each category based on its share of total revenues and an assessment surcharge factor was determined by dividing the assessment surcharge by estimated throughput for July 1, 2009 through June 30, 2010. As a result, all service classifications within a category will be assessed the same surcharge factor.

Service Classifications 9, 10, 15, 16 and 17 were consolidated into the Other Firm category due to the small number of customers in these service classifications. Since over- or under-recoveries from reconciliations will be returned or charged to customers using the same class allocation method used to establish the Incremental State Assessment Surcharges, customer switching between these classes could significantly affect individual customer responsibility. For example, if one customer who represented 50% of the load in a service classification switched classes in July, there would be an undercollection of 50% of the assessment. The underrecovery would be borne by all of the service classification's remaining customers. The service classifications were combined to mitigate this possibility.

Hon. Secretary Brilling
June 30, 2009

Page 3

Service Classifications 4, 7, 12 and 13 were combined into the Non-Firm category to discourage non-firm customers from switching service classifications to the non-firm class with the lowest Incremental State Assessment surcharge.

Beginning July 1st, the Company will include the Incremental State Assessment Surcharge for Service Classifications 1A, 1AR, 1B, 1BR, 1B-DG, 2A, 2B, 3A, 3B, 5, 9, 10, 15, 16, and 17 in the applicable Delivery Rate Adjustment. The Company has determined that the cost of programming its billing system to develop a separate line item for the surcharge is significant and could not be accomplished on a timely basis. Accordingly, the Company proposes to avoid this cost and to bill the Incremental State Assessment Surcharge through the Delivery Rate Adjustment until the Temporary State Assessment expires in 2014.

Included with this filing are the following attachments:

Attachment 1: The Company's estimate of energy service company revenues calculated in accordance with the June 19th Order and included in the Company's gross operating revenue from intrastate utility operations.

Attachment 2: Workpapers setting the derivation of Incremental State Assessment Surcharges as well as typical bill impacts.

Per Ordering Clause No. 3 of the June 19 Order, the provision of Public Service Law §66(12)(b) and Commission Rule (16 NYCRR §720.8.1) that publication of tariff changes are waived.

If you have any questions regarding this filing, please contact Jennifer Feinstein at 718-403-2914.

Very truly yours,

Melissa R Nairn
Principal Analyst, Gas Pricing

/MN
Attachments
cc: Active Party List – C. 09-M-0311

Attachment 1

**KeySpan Gas East Corporation d/b/a National Grid
ESCO Revenues for Calendar Year 2008**

<u>Service Category</u>	Average Unit Gas Commodity & Capacity Cost (\$/dt)	Actual Esco Net Deliveries (dt)	Estimated Annual Gas Commodity & Capacity Cost (\$)
Resid Non-Heat (SC 5-1A, 5-1AR)	\$10.72	\$ 88,672	\$ 950,878
Resid Heat (SC 5-1B, 5-1BDG, 5-1BR)	\$10.24	\$ 2,604,163	\$ 26,667,222
Comm General & Heat (SC 5-2A, 5-2B)	\$10.42	\$ 9,508,294	\$ 99,069,792
Multi Dwelling (SC 5-3)	\$10.31	\$ 2,058,300	\$ 21,223,756
Other Firm (SC 5-807, 5-15, 5-16, 5-17)	\$10.81	\$ 514,036	\$ 5,557,856
Total		\$ 14,773,466	\$ 153,469,503

**KeySpan Gas East Corporation d/b/a National Grid
Temporary State Assessment Surcharge
Based on Calendar Year 2008 Revenues**

Total Gas Operating Revenues		\$ 1,520,339,251
Adjustments		
Less Sales for Resale		\$ (253,644,774)
Less Transportation for Power Generation		\$ (23,322,497)
Plus ESCO Revenues		\$ 153,469,503
Less Exempt Revenues @ \$500,000		<u>\$ (500,000)</u>
Total Gas Assessable Revenue Estimate		\$ 1,396,341,484
Combined 18-A General & Temporary State Assessment	2%	\$ 27,926,830
Less Inflated Base Rate General Assessment		<u>\$ (3,190,990)</u>
Estimated Temporary State Assessment Surcharge (before Carrying Charges & Bad Debt)		\$ 24,735,840
Plus Carrying Charges		\$ 833,628
Plus Bad Debt Allowance		
Uncollectibles Allowed in Rates	0.75%	<u>\$ 193,220</u>
Estimated Temporary State Assessment Surcharge		\$ 25,762,688

KeySpan Gas East Corporation d/b/a National Grid
Calculate Revenue Allocators and Determine Estimated Temporary State Assessment Surcharge for Each Service Category

1. Allocate 2008 Calendar Year Revenues to Service Categories

	<u>Gas Sales</u>	<u>Transportation</u>	<u>Misc</u>	<u>Estimated ESCO</u>	<u>Total</u>	<u>Revenue Allocator</u>
Resid Non-Heat (SC 1A, 1AR, 5-1A, 5-1AR)	\$ 65,373,312	\$ 1,037,543	\$ (1,028,170)	\$ 950,878	\$ 66,333,562	4.7%
Resid Heat (SC 1B, 1BDG, 1BR, 5-1B, 5-1BDG, 5-1BR)	\$ 703,427,872	\$ 18,963,757	\$ (11,063,286)	\$ 26,667,222	\$ 737,995,565	52.8%
Comm General & Heat (SC 2A, 2B, 5-2A, 5-2B)	\$ 247,421,712	\$ 48,555,033	\$ (3,891,369)	\$ 99,069,792	\$ 391,155,168	28.0%
Multi Dwelling (SC 3, 5-3)	\$ 27,433,785	\$ 7,111,601	\$ (431,470)	\$ 21,223,756	\$ 55,337,672	4.0%
Other Firm (SC 9, 10, 15, 16, 17, 5-807, 5-15, 5-16, 5-17)	\$ 44,584,739	\$ 1,919,983	\$ (701,214)	\$ 5,557,856	\$ 51,361,365	3.7%
Non-Firm (SC 4, 7, 12, 13)	\$ 94,039,416	\$ (55,755)	\$ 674,492	\$ -	\$ 94,658,153	6.8%
Total	\$ 1,182,280,837	\$ 77,532,162	\$ (16,441,017)	\$ 153,469,503	\$ 1,396,841,485	100.0%

2. Allocate \$25,762,688 Estimated Temporary State Assessment Surcharge to Each Service Category Using Revenue Allocators

	<u>Estimated State Assessment Surcharge</u>
Resid Non-Heat (SC 1A, 1AR, 5-1A, 5-1AR)	\$ 1,223,425
Resid Heat (SC 1B, 1BDG, 1BR, 5-1B, 5-1BDG, 5-1BR)	\$ 13,611,243
Comm General & Heat (SC 2A, 2B, 5-2A, 5-2B)	\$ 7,214,282
Multi Dwelling (SC 3, 5-3)	\$ 1,020,622
Other Firm (SC 9, 10, 15, 16, 17, 5-807, 5-15, 5-16, 5-17)	\$ 947,285
Non-Firm (SC 4, 7, 12, 13)	\$ 1,745,830
Total	\$ 25,762,688

3. Determine Temporary State Assessment Surcharge Factor for Each Service Category

	<u>7/1/09 - 6/30/09</u>	<u>Surcharge</u>
	<u>Estimated Thruput</u>	<u>\$/dt</u>
	<u>dt</u>	
Resid Non-Heat (SC 1A, 1AR, 5-1A, 5-1AR)	2,657,038	\$0.4604
Resid Heat (SC 1B, 1BDG, 1BR, 5-1B, 5-1BDG, 5-1BR)	45,685,465	\$0.2979
Comm General & Heat (SC 2A, 2B, 5-2A, 5-2B)	27,500,902	\$0.2623
Multi Dwelling (SC 3, 5-3)	4,024,701	\$0.2536
Other Firm (SC 9, 10, 15, 16, 17, 5-807, 5-15, 5-16, 5-17)	3,444,281	\$0.2750
Non-Firm (SC 4, 7, 12, 13)	6,761,260	\$0.2582
Total	90,073,646	

**KeySpan Gas East Corporation d/b/a National Grid
Bill Impact Analysis of Temporary State Assessment Surcharge**

**SC 1B Typical Residential Heating Customer
Period July 1, 2009 to June 30, 2010**

Total Projected Bill (Before Temporary State Assessment Surcharge)	\$2,030.76
Temporary State Assessment Surcharge	\$0.2979 per dt
Multiplied by Normal Annual Usage	140 dt
Annual Temporary State Assessment Surcharge	\$41.56
With GRT @ 3.093%	\$42.85
Total Bill with Temporary State Assessment Surcharge	\$2,073.61
% Increase	2.1%