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NATIONAL FUEL GAS DISTRIBUTION CORPORATION
10 Lafayette Square
Buffalo, NY 14203

November 1, 2000

Hon. Janet H. Deixler
Secretary
Public Service Commission
Three Empire State Plaza
Albany, NY 12223-1350

Re: Case 99-M-0631 - In the Matter of Customer Billing Arrangements
Compliance Filing of National Fuel Gas Distribution Corporation

Dear Secretary Deixler:

National Fuel Gas Distribution Corporation ("Distribution" or the "Company") submits the following proposed amendments to its tariff, P.S.C. No. 8 - GAS:

Leaf No. 148.4	Revision 0	Leaf No. 187	Revision 4
Leaf No. 148.5	Revision 0	Leaf No. 188	Revision 1
Leaf No. 150	Revision 5	Leaf No. 190	Revision 2
Leaf No. 154	Revision 5	Leaf No. 212	Revision 6
Leaf No. 156.3	Revision 2	Leaf No. 222	Revision 6
Leaf No. 158	Revision 5	Leaf No. 223	Revision 2
Leaf No. 165	Revision 5	Leaf No. 270	Revision 4
Leaf No. 166	Revision 1	Leaf No. 271	Revision 4
Leaf No. 175	Revision 4	Leaf No. 271.1	Revision 0
Leaf No. 176	Revision 1	Leaf No. 272	Revision 4
Leaf No. 179	Revision 1	Leaf No. 274.1	Revision 1
Leaf No. 184	Revision 4	Leaf No. 276	Revision 5
Leaf No. 185	Revision 1	Leaf No. 277	Revision 2

The tariff revisions are issued as of today for an effective date of February 1, 2000.

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Proposed Revisions

This is a compliance filing submitted in response to the Commission's *Order Providing for Customer Choice of Billing Entity* issued in the above-referenced proceeding on March 22, 2000 ("Order"), as generally affirmed without change by an *Order Denying Petitions for Rehearing* issued on September 1, 2000 ("Order on Rehearing"). More specifically, this filing revises Distribution's tariff for ESCO/Marketer (hereinafter "ESCO") aggregation services[1] by modifying the current provisions for ESCO and utility retail billing consistent with the Order. In addition, the proposed revisions provide for a billing "back-out" credit, and a charge for utility retail billing. Finally, this filing also is a request for recovery of the costs generated by the Order. The Company's proposals are described in greater detail below.

Background

I. Current Marketer Single Retail Bill Methodology

The Company currently allows ESCOs the choice of ESCO single bills or Company provided single bills. The Company's tariff has provided for ESCO single-retailer billing since the commencement of small-customer aggregation on the Company's system in May 1996. Under the Company's current aggregation program, the Company bills ESCOs for the transportation services rendered by the Company to the ESCO's aggregated customers. There are currently thirty (30) marketers servicing approximately 54,402 customers in the Company's small-customer aggregation program.

The Company's proposed tariff modifications were designed in recognition of an already-significant level of ESCO participation in the Company's current program. Given the relatively large number of customers enrolled with ESCOs in the existing program, the Company is proposing tariff modifications that attempt to comply with the Order while not significantly disrupting ESCO operations.

The Company is proposing to continue most features of the single retailer model in its tariff. Under the existing program, the Company bills the ESCO for transportation (local distribution) services provided for the ESCO's aggregated customers. The ESCO is billed directly for such transportation services and remits payment to the Company according to the uniform billing and payment schedule provided in the Uniform Business Practices ("UBPs") (Section B.1.). The ESCO recovers the costs of the Company's transportation services from the bills it renders to its customers. Under the current STBA tariff, billing format and content requirements of ESCOs are modest.

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[1] Distribution's aggregation tariff is called Supplier Transportation, Balancing and Aggregation ("STBA"). It is set forth in the tariff under Service Classification No. 19.

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The instant tariff revisions adopt billing content and format requirements included in the Order. The Company has not, however, included the requirement that ESCOs separately identify the portion of the ESCO bill related to utility services and the portion of the bill related to ESCO services. Distribution believes that a requirement to separate the billing components in such a manner would be disruptive for ESCOs that provide consolidated bills to over 50,000 customers under the current program. To the extent the Order mandates separate statements in a single, consolidated bill, Distribution requests waiver of those requirements as provided in the Order at page 13, n. 1.

II. Billing Backout Credit

As required by the Order, the instant tariff revisions also propose a proposed billing backout credit.[2] The credit will be provided to ESCOs issuing an ESCO single, consolidated bill. The credit is not available for ESCOs purchasing the Company's billing service (described below). The Order required that the credit should be determined based on the embedded cost of providing the Company's billing service (as a proxy for long run avoided costs). Order at 11. In its calculations, the Company used its functional costs[3] as of the 12 months ended June 30, 2000. Based on the Commission's methodology, the backout credit would be set at $0.66. The Company has also calculated that for each customer billed by an ESCO, it actually avoids only $0.29 per month.

The majority of the activity associated with the processes of printing monthly bills, remitting the associated payments, and handling the customer calls associated with these processes is contained within the Customer Records and Collection expenses detail account. The Customer Records and Collection Expenses detail account was categorized using work system manual account descriptions and general knowledge of the accounting system into form processes: (1) field collections, (2) bill print, (3) remittance, and (4) customer inquiry and accounting. Supervisory expense (Detail Account 901) was allocated to each process as well as administrative and general expenses through the benefit loading factor.

The existing accounting system was used to perform the detailed analysis required to identify the costs involved with each process. The analysis including identifying and quantifying the contribution of various company departments toward billing functions. The analysis also included a review of the Company's telephone call system to identify billing-related calls. The

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[2] The workpapers associated with the billing backout credit are being provided to staff and the parties of this proceeding under separate cover.

[3] The Company's current Uniform System of Accounts was utilized for identifying the functional categories needed to design a billing backout credit. Specifically, the billing and remittance related costs associated with Control Account 401 700 Customer Account Expenses – Operation, and associated administrative and general costs, form the basis the credit.

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call system was further analyzed to determine what portion of the billing related calls would continue to be handled by the Company.

III. Customer Aggregation Billing Service

The Order provided an opportunity to submit a filing for "other billing arrangements to meet customer needs in the interim," prior to the establishment of a permanent billing service. Order at 15. In accordance with that authority and in response to customer and ESCO requests, Distribution submitted a compliance filing establishing a "Temporary Interim Billing Service" ("TIBS") effective May 1, 2000. The tariff provides that "TIBS is a temporary service that will terminate upon the effective date of a permanent billing service, filed in compliance with Case 99-M-0631 . . . ." Currently the Company is providing TIBS billing service for approximately 9,000 ESCO customers. As anticipated, this filing proposes to replace TIBS with a permanent Customer Aggregation Billing Service ("CABS"). CABS will provide the same level of service as is available for TIBS with the exception that CABS will be a permanent feature of the Company's aggregation service.

The rate for CABS is also different than the TIBS rate. As provided in the Order, "charges that utilities may assess to ESCO's, for undertaking their billing functions under the 'Utility Single Bill' arrangement, shall be established based on the utilities long run incremental costs of providing this service to all its current customers." (emphasis in original). Order at 12. The Company has interpreted the Commission's reference to "all its current customers" to be all the Company's current sales and small volume aggregation transportation customers. Based on this large group of customers and the incremental costs incurred in providing this service, the Company has calculated the CABS rate to be the backout credit plus $0.05 per bill per month, for an effective billing charge of $0.71. A more reasonable alternative to using all current sales and aggregation transportation customers as the basis for establishing the CABS charge would be to base the rate on current aggregation transportation customers only. If the Commission's "all its current customers" requirement was interpreted to mean only current aggregation transportation customers the CABS charge would be $0.45 per customer bill per month, or an effective charge of $1.11.

IV. Cost Recovery Mechanism

The Order provides that utilities are authorized to petition for recovery of "any sufficiently documented and fully mitigated net differences between the costs that are ultimately avoided and the projected costs assumed here and for any net incremental costs associated with implementation of the new billing arrangements." Order at 12 ("Billing Costs"). The Company's proposed tariff revisions include a mechanism to recover Billing Costs through an "Aggregation Billing Choice Surcharge." Given the relatively large number of customers already receiving ESCO consolidated bills on Distribution's system, the Company anticipates that it will incur

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significant Billing Costs. The Company will supplement this filing, as necessary, with a petition for recovery of Billing Costs when costs and the rates proposed herein, or as modified, are more firmly established.

Conclusion

For all of the foregoing reasons, Distribution respectfully requests that the above-listed tariff amendments be permitted to become effective on February 1, 2000.

Respectfully submitted,

National Fuel Gas Distribution Corporation

Michael W. Reville
Deputy General Counsel