

..DID: 8934

..TXT:

THE BROOKLYN UNION GAS COMPANY
One MetroTech Center
Brooklyn, New York 11201

June 1, 1999

***Via Electronic Transmission
and Federal Express***

Honorable Debra Renner
Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, NY 12223

Re: Brooklyn Union Gas Co. - Case 95-G-0761

Dear Secretary Renner:

Enclosed for filing with the Commission is one copy each of the revised tariff leaves listed in Appendix "A" hereto, issued by The Brooklyn Union Gas Company (Brooklyn Union, Company) on June 1, 1999, to become effective on October 1, 1999. This filing is being transmitted electronically. Five (5) copies of the associated workpapers (contained in Appendices I - VI) are being sent via Federal Express dispatch this day.

These leaves are being filed in compliance with the Commission's Opinion No. 96-12 issued September 25, 1996 in the above case (Opinion 96-26).¹ The enclosed leaves reflect tariff revisions

Brooklyn Union Gas Co., Case 95-G-0761, Opin. No. 96-26 (Sept. 25, 1996). By Opinion 96-26, the Commission approved the "Stipulation and Agreement Resolving Corporate Structure Issues and Establishing Multi-Year Rate Plan" (Holding Company Agreement) among Brooklyn Union, the Staff of the Department of Public Service (Staff), the State Consumer Protection Board and the City of New York (collectively, "Signatory Parties"). The Holding Company Agreement, *inter alia*, permits Brooklyn Union to file new tariff leaves issued on June 1, 1997 (and each June 1 thereafter through June 1, 2001) (referred to as the June 1 Filing(s)). Holding Company Agreement at 8. On May 29, 1998, with the consummation of the business combination between Brooklyn Union and MarketSpan Corporation (comprising those components of the Long Island Lighting Company (LILCO) not sold to the Long Island Power Authority), the "Stipulation and Agreement" among Brooklyn Union, LILCO, Staff, and several other parties, approved by the Commission in its Opinion 98-9 issued April 14, 1998 in Case 97-M-0567 (Combination Agreement), supersedes portions of the Holding Company Agreement. Those portions of the Holding Company

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expressly contemplated by the Holding Company Agreement.²

Brooklyn Union is proposing the introduction of certain tariff fees as contemplated by Section V.C.9 of the Holding Company Agreement,³ which permits the Company "to impose or adjust fees on a tariffed basis for various services either now performed for 'free,' or for which there already is a tariff charge." In accordance with the Holding Company Agreement, these proposed charges, as reflected in the attached workpapers, are new fees, reflect services currently performed for free, are "cost-based" and, therefore, should be deemed *prima facie* just and reasonable and permitted to take effect without suspension or postponement. The amount of each proposed fee is exclusive of applicable taxes.

In accordance with Section V.C.10 of the Holding Company Agreement,⁴ Brooklyn Union is proposing to offer certain variations in service levels relating to "value-added" services. The proposed "value-added" services are consistent with Section V.C.10. of the Holding Company Agreement and are being introduced in response to market research.

The Company is proposing a nominal increase in the minimum charges applicable to SC Nos. 1A, 1B, 2, 3, 4A, 4B, 16 and 17 to recover the additional revenue deficiency caused by the increase in the number of eligible customers under Brooklyn Union's low-income rates.

Finally, Brooklyn Union is proposing a "new account" segment to reflect a requirement that

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Agreement not superseded are contained in Appendix A to the Combination Agreement. The provisions authorizing the June 1 Filings were not superseded and are contained in that Appendix. All references to the Holding Company Agreement will be cited herein as "Holding Company Agreement, Appendix A at ____."

² Since, as of this time, Brooklyn Union does not know the precise date that the tariff changes reflected in Items 6, 7 and 8 below will be implemented, revised leaves reflecting these changes are not included in this filing. Due to various competing programming needs of the Company (such as those relating to Year 2000 concerns and Uniform Business Rules compliance), Brooklyn Union will not begin such programming until the Commission has approved the proposals, at which time the available resources will be evaluated to determine when implementation will be feasible. For Items 6 and 7, this is expected to be February 1, 2000; the timing for the implementation of Item 8, which will involve a considerable amount of programming, cannot be accurately forecast at this time. For all three items, the Company will provide the Commission and all parties to this proceeding at least 30 days notice of implementation.

³ Holding Company Agreement, Appendix A at 18.

⁴ Holding Company Agreement Appendix A at 19.

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new residential and non-residential customers pre-pay their minimum bill during the first cycle billing period following service unlock.

None of the proposed services will result in a degradation of customer service quality in general, nor impair the level of service to those customers who do not receive these services. Specifically, the amended tariff leaves transmitted herewith reflect the following changes:

1. Effective October 1, 1999, Brooklyn Union proposes to allow residential and non-residential customers the option of paying their utility bills by "check" via telephone instruction, charging customers a fee of \$2.57 for each "check" payment made by a customer in this manner. Under this telephone payment option, customers will provide the Company their bank account and bank check number that otherwise would be mailed to Brooklyn Union or presented in person by the customer at one of the Company's customer service offices.⁵ This proposal would allow customers to avoid the need to (a) complete and mail checks (and save on the associated postage costs) or (b) visit a customer service office to pay utility bills. The convenience of this additional payment method reduces the likelihood that customers will be required to pay late payments fees or have their gas service terminated for non-payment. As set forth in the attached workpapers (Appendix I), the proposed telephone payment charges are cost-based. These proposed changes are set forth on Second Revised Leaf No. 40.
2. Effective October 1, 1999, Brooklyn Union proposes to offer on a permanent basis "Premium Service Appointments," an initiative introduced in the Company's last June 1 Filing for a pilot period extending from February 1, 1999 through May 31, 1999.⁶ Premium Service Appointments are customer service appointments for non-safety related services (such as meter locks and unlocks), which are kept by the Company within a shorter guaranteed time frame than generally offered to the Company's customers. Brooklyn Union would make these services available to both its

⁵ More specifically, customers electing this payment option will have their payment initiated via an Automated Clearinghouse (ACH) transaction or check image reproduction. An ACH transaction is an electronic debit from a customer's account at a financial institution designated by the customer, as authorized by an agreement between the customer and Brooklyn Union. Check image reproduction is a means by which the Company inputs the customer's bank account number and actual check number into a reformatted check image.

⁶ See *Brooklyn Union Gas Co.*, Case 95-G-0761, "Order On Review of Rate Plan Filing" (Sept. 22, 1998), *mimeo* at 3. In its 1998 June 1 Filing introducing the Premium Service Appointment pilot, the Company indicated (at 3, n.3) that "[d]epending on its experience with the initiative at the conclusion of the pilot . . . the Company may elect to extend the program and will make the necessary filings with the Commission to implement such an extension."

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residential and non-residential customers. During the four month period of the Company's pilot, about 400 customers opted for this service. Almost two-thirds requested appointments within the one hour window. Brooklyn Union arrived on time for 98% of all its appointments. The Company expects the demand for Premium Service Appointments to continue. The cost of this service is recovered directly from the customers who elect to use it. As a value-added service, the charges will continue to be set at market-based prices (\$25 for a guaranteed appointment within a one hour window and \$20 for a guaranteed appointment within a two hour window). As demonstrated in Appendix II, these costs exceed the incremental cost of providing these services. These proposed changes are reflected on Second Revised Leaf No. 35.

3. Effective October 1, 1999, Brooklyn Union seeks to impose a fee of \$33 on customers requesting consumption and/or billing information that is more than 2 years old. The fee would be charged for each year for which such information is sought and apply to residential and non-residential *sales* customers only. If more than one meter is associated with a customer account, the fee would be imposed for each meter. As demonstrated in the attached workpapers (Appendix III), the fee is cost-based. The proposed changes are embodied on Original Leaf No. 138.49.
4. In response to customers' requests, in Case 98-M-0014⁷ Brooklyn Union proposed that the Commission allow utilities to send bills over the Internet. Many customers continue to request these services. As the Commission has not yet taken action in 98-M-0014, nor acted on the Company's Internet billing proposal contained therein, Brooklyn Union is requesting permission to make tariff revisions that would allow customers to pay their utility bills via the Internet,⁸ receive their bills via the Internet,⁹ and view the status of their accounts over the Internet,¹⁰ all at no charge to customers.

⁷ See *In the Matter of the Rules and Regulations of the Public Service Commission Contained in 16 N.Y.C.R.R.*, "Notice of Proposed Rulemaking" Case 98-M-0014 (July 28, 1998).

⁸ Customer payments over the Internet would be initiated by the customer via an Automated Clearinghouse (ACH) transaction. As explained *supra*, an ACH transaction is an electronic debit from a customer's account at a financial institution designated by the customer, as authorized by an agreement between the customer and Brooklyn Union.

⁹ Customers selecting this option will be notified by E-mail that their bill is ready for viewing. Termination and other notices required by the Home Energy Fair Practices Act (HEFPA) and the Commission's residential and non-residential regulations would continue to be received by customers in traditional paper form.

¹⁰ Electronic bills will be presented to customers over the Internet in a form similar to current
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Internet billing, payment, and account status viewing is convenient for customers, reduces postage and handling costs for the utility, and conserves paper. In the event that the Commission issues an order in Case 98-M-0014 that is different from the Company's current Internet billing proposal, Brooklyn Union would modify its tariff leaves to render them consistent with that order. The proposal would become effective October 1, 1999. These proposed changes are embodied on Second Revised Leaf No. 40.

5. Effective October 1, 1999, Brooklyn Union proposes to increase the minimum charge applicable to S.C. Nos. 1A, 1B, 2, 3, 4A, 4B, 16 and 17 to recover the additional revenue deficiency caused by the increase in the number of eligible customers under the Company's low-income rates (S.C. Nos. 1AR and 1BR) from 37,000 to 42,000 customers, as provided for in Section V.D.b.c. of the Combination Agreement. Because the impact on affected customers in these classes is nominal (2-4 cents per bill), Brooklyn Union requests a waiver of the Commission's regulations which require a bill impact study and a comparison of present and proposed rates. These proposed changes are embodied on Second Revised Leaf Nos. 140, 144, 152, 153, 159, 160, 163, 164, 167, 168, 171, 172, 301, 302, 303, 339 and 340, and Third Revised Leaf No. 341.
6. Brooklyn Union is proposing to impose a \$19.86 fee on residential and non-residential sales customers who *request* that their meters be read on a date other than the customer's regularly scheduled meter reading date. This service is provided as a convenience to customers and, hence, the charge will be imposed only on those customers requesting such off-cycle meter reads. The attached workpapers (Appendix IV) demonstrate that the fee is cost-based. The proposed charges are consistent with HEFPA, as well as Sections 11.15(c) and 13.10(b) (utility charges), and 11.13 and 13.4 (meter reading) of the Commission's regulations.
7. Brooklyn Union proposes to charge owners (landlords) of multiple dwellings a \$13.88 fee whenever the Company is required to post a termination notice for nonpayment in the public areas of a multiple dwelling, in accordance with Section 33(1)(c) of the Public Service Law and Section 11.7 of the Commission's regulations promulgated thereunder. The proposal will allow the Company to recover the cost of posting in multiple dwellings from the landlord/customers who create the necessity for such

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paper bills, in compliance with HEFPA, the Commission's regulations, and the Commission's order in case 98-M-0362 (bills will be in a plain language format and be clear and easy to read). Case 98-M-0362, *Proceeding on Motion of the Commission as Proposed Changes to the Bill Format Requirements set forth in the Commission's Order Issued October 31, 1985*, Filed in C28080, "Order Establishing Regulatory Billing," *mimeo* at 3 (Mar. 29, 1999).

action being taken. This proposal is consistent with both HEFPA and the Commission's regulations.¹¹ There is precedence for this charge under the electric tariff of Consolidated Edison of New York, Inc.¹² As shown in the attached workpapers contained in Appendix V, the fee is cost-based.

8. Brooklyn Union is proposing a "new account" segment to reflect the requirement that new residential and non-residential customers receiving gas service pre-pay their minimum bill during the first cycle billing period following service unlock.¹³ Section V.C.4 of the Holding Company Agreement contemplates various scenarios wherein rate segmentation is permitted. Section V.C.4 also contemplates Brooklyn Union proposing segmentation and rates that fall outside of the guidelines contained in the various subsections to section V.C.4.¹⁴ Since, in approving the Holding Company Agreement, the Commission also approved an "introductory rate segment" concept, which distinguishes between new and existing customers, Brooklyn Union respectfully submits that a prepayment of the minimum charge for new accounts is consistent with the Holding Company Agreement.

The purpose of this proposal is to reduce customer uncollectibles which arise as a consequence of the unique characteristics found in Brooklyn Union's service territory. First, Brooklyn Union has a highly transient customer population. As shown in the attached workpapers (Appendix VI), in 1998 almost 1/3 of the Company's new customers vacated their premises within 12 months of commencing gas service and almost 50% did so within 24 months of first receiving service. Second, many of the Company's customers that move from their service location do so without paying their final bills. As the attached workpapers also demonstrate, approximately 23% of all Brooklyn Union customers vacate their premises without notifying the Company, leaving unpaid utility bills and no forwarding address. This situation effectively precludes any collection effort. As a result of these circumstances, Brooklyn Union customers who pay their bills on time are required to bear this uncollectible expense in their gas rates. The proposal helps to ameliorate this inequity.

¹¹ N.Y. *Pub Serv.* Law §44(1); 16 N.Y.C.R.R. §11.15(c).

¹² Consolidated Edison Company of New York, Inc., Schedule for Electricity Service, P.S.C. No. 9 - Electricity First Revised Leaf No. 79-A (imposing a \$22 charge on landlords for the posting of termination notices in multiple dwellings).

¹³ The prepayment obligation would not apply to new accounts qualifying under the two low-income rate classes (SC Nos. 1AR and 1BR), nor to the introductory rate segment (SC No. 1BI).

¹⁴ See Holding Company Agreement at V.C.4.b, V.C.4.e, V.C.4.f.

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Minimum bill pre-payments are consistent with HEFPA and the Commission's residential (Part 11) and non-residential (Part 13) customer regulations. In particular, such pre-payments are clearly distinguishable from security deposits described under HEFPA and sections 11.12 and 13.7 of the Commission's regulations. Moreover, there is precedence for minimum bill pre-payments in the telecommunications context in which the Commission allows such pre-payments under provisions of its regulations¹⁵ substantially identical to the Commission's residential and non-residential gas/electric regulations pertaining to security deposits.¹⁶

Copies of this transmittal letter and the enclosures are being served this day by either hand delivery or regular mail on all parties entering an appearance, as reflected in the appearance list contained in Opinion 96-26, and Federal Express dispatch on Administrative Law Judge Garlin and Judith Chomycz, Tariff Administrator - Electric Division. As provided in subsection VI.B.3.c of the Holding Company Agreement, this letter also provides notice that a technical conference of the parties regarding the filing will be held on Monday, June 30, 1999, beginning at 10:30 am at the Commission's Downstate Offices at One Penn Plaza in New York City.

Also transmitted herewith is a form of notice under the State Administrative Procedure Act related to this filing.

If you have any questions concerning this filing, please contact Nancy Cianflone at (718) 403-2505.

Respectfully submitted,

General Counsel
The Brooklyn Union Gas Company

Encls.

cc(w/encls.): Hon. Robert Garlin
Administrative Law Judge

Saul A. Rigberg, Esq.
Staff Counsel

All Parties

APPENDIX A

¹⁵ 16 N.Y.C.R.R. §633.9.

¹⁶ See 16 N.Y.C.R.R. §§11.12 and 13.7.

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Second Revised Leaf No. 3
Third Revised Leaf No. 7
Second Revised Leaf No. 35
Second Revised Leaf No. 40
Original Leaf No. 138.49
Second Revised Leaf No. 140
Second Revised Leaf No. 144
Second Revised Leaf No. 152
Second Revised Leaf No. 153
Second Revised Leaf No. 159
Second Revised Leaf No. 160
Second Revised Leaf No. 163
Second Revised Leaf No. 164
Second Revised Leaf No. 167
Second Revised Leaf No. 168
Second Revised Leaf No. 171
Second Revised Leaf No. 172
Second Revised Leaf No. 301
Second Revised Leaf No. 302
Second Revised Leaf No. 303
Second Revised Leaf No. 339
Second Revised Leaf No. 340
Third Revised Leaf No. 341