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

CORRECTED LETTER

May 31, 2001

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

Re: Case 99-M-0631 - Billing
Case 98-M-1343 - Uniform Business Practices

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. 272	Revision 6
Leaf No. 274	Revision 9
Leaf No. 274.1	Revision 3
Leaf No. 274.2	Revision 1
Leaf No. 275	Revision 4

The tariff revisions are issued as of today for an effective date of June 1, 2001. In addition, this filing includes Supplement No. 5 effective May 31, 2001 canceling tariff sheets submitted in a previous compliance filing (identified infra).

Background and Proposed Revisions

This is a compliance filing submitted in response to the Commission's Order Establishing Uniform Retail Access Billing and Payment Processing Practices, issued in the above-referenced cases on May 18, 2001 ("Order"). As the Order directs, the Company is (1) canceling the tariff sheets filed on November 1, 2000 in Case 99-M-0631; and (2) adding a back-out credit and billing service charge to its current consolidated billing service options, according to the Order at pages 17-19. This compliance filing does not, however, implement all features of the Order. As directed by the Commission, billing and payment practices adopted in the Order (as an addition to Uniform Business Practices ("UBPs")) will not become effective "until EDI is operational for billing and payment processing," Order at 16, no. 23. Thus the changes provided in this filing are Limited solely to the items identified above. Billing practices and procedures addressed in the current UBPs and Distribution's tariff and billing services agreement will remain unchanged.

Received: 5/31/2001

The above-listed revisions modify Distribution's service classification ("SC") 19, Supplier Transportation, Balancing and Aggregation ("STBA"), as follows:

1. The Company's ESCO consolidated billing service, called "TIBS" (for "Temporary Interim Billing Service"), is revised so that the charge set forth at subparagraph g., Special Provisions Section 9, on leaf 272, is increased to $0.84, as prescribed in the Order at Appendix B.

2. TIBS is further modified by inserting the following new subdivision under Special Provisions Section 9:

   j. The Billing Back-out Credit described infra at Special Provisions Section 21 shall be provided to retail customers in the form of a credit set forth on the TIBS bill.

3. The Special Provisions Section 20 of SC 19 includes new language relating to billing service for aggregation programs provided to low-income customers, as fully described below. A similar modification has been inserted under Character of Service in SC 20, "Department of Social Services Transportation, Balancing and Aggregation."

4. The Special Provisions section of SC 19 includes a new paragraph, no. 21, stating as follows:

   21. A Billing Back-out Credit for Supplier-issued consolidated bills, by which the Supplier issues a single bill consolidating Supplier charges with utility charges, shall be provided to the Supplier on each monthly bill for STBA charges.

5. The Rates and Charges section of SC 19 is correspondingly amended with the addition of the following sentence:

   8. Billing Back-Out Credit for Supplier-Issued Consolidated Bills

      The Billing Back-Out Credit for Supplier issued consolidated bills, as described supra in Special Provisions Section 21 shall be $0.80 per customer.

The Company also provides consolidated bills for Suppliers who serve customers enrolled in low-income aggregation programs.[1] The method for applying the back-out credit and billing charges for TIBS service will also be applied to bills issued by the Company for these programs.

In addition to the above tariff changes, the Company proposes to make conforming charges to its TIBS standard-form bill (issued to retail customers) and monthly STBA bill (issued to marketers) by adding a statement advising the reader that the bill reflects the application of a back-out credit. More specifically, the proposed language for a TIBS bill statement is as follows:

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[1] These programs are called, variously, "DSS Aggregation" or "PACE," and are available to customers receiving benefits from the state Office of Temporary Disability Assistance.

Received: 5/31/2001

> National Fuel is providing a billing service to your gas supplier. The New York Public Service Commission has directed us to provide you with a credit for the estimated cost of our retail billing. Your current bill reflects that monthly credit of $0.80. You may be billed a similar amount by your supplier for their billing costs.

For monthly STBA bills issued to marketers (pursuant to the UBPs), the invoice will include an itemized line identifying the back-out credit.

The effective date of the revised tariff sheets and implementation of the above changes is June 1, 2001. For TIBS customers, this means that the bill credit will be shown (in full) on the first bill rendered on or after June 1, 2001. For marketers not using the TIBS service, the credit will be applied to July's STBA bill (for service rendered in June).

Reasons for Making the Proposed Revisions

The proposed revisions are being made in response to the Order. The reasons behind the back-out credit are explained in the Order.

Objectives

The objective of the proposed revisions is to comply with the Commission's Order. This filing accomplishes that objective for the reasons stated above.

Effect of Proposed Revisions

Company revenues will decrease by an amount equal to the total amount of back-out credits applied to customer bills. As of May 29, 2001, there were 41,767 STBA customers served by marketers. Application of the credit for all of those customers, assuming no change in enrollment, would produce an annual revenue shortfall of $400,963. For TIBS billing service, there were 8,041 customers enrolled as of May 29, 2001. These customers would contribute $81,053 of revenues on an annual basis. Accordingly, the net effect of the proposed revisions would be an annual revenue deficiency of $319,910. Having rejected the Company's November 1, 2000 filing, the Commission's Order identified no Company savings associated with the directed changes.

TIBS customers receiving the back-out credit will experience savings of $0.80 per bill received, minus the marketer's billing costs expected to be passed through. Assuming the marketer passes along all of the billed TIBS charges, customers would pay a net of $0.04 per bill over the current tariff rate for bundled sales service. However, TIBS customers could experience savings of up to $0.46 if the marketer using the existing TIBS service, at $0.50 per bill with no back-out credit, currently passes along the full price charged by Distribution.

Marketers serving non-TIBS customers (i.e. marketers providing their own consolidated bills) will experience monthly savings of $0.80 for each bill times the number of customers enrolled in the billing month's STBA Group. Since these marketers are already billing their customers under pre-existing sales agreements, the Company anticipates that marketers will retain the savings.

At this juncture, the Company has not projected any change in customer enrollment (and therefore further revenue effects) resulting from the billing modifications in this filing.

Received: 5/31/2001

In its November 1, 2000 compliance filing, the Company proposed a mechanism for the recovery of stranded costs. Stranded costs were defined as "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." In the Order, the Commission rejected Distribution's proposal based on the mistaken assumption that the Company was attempting to "impose a surcharge." No surcharge was proposed because costs were not established. Furthermore, the Company recognizes that cost recovery requests must be submitted to the Commission in the form of a petition "where recovery is sought for actual costs." Order at 17. The Company plans to submit a petition at the appropriate time.

Newspaper Publication

The Commission waived the requirement for newspaper publication. See Order at 19.

Company Contacts

Communications relating to this filing should be submitted to the undersigned.

Respectfully submitted,

National Fuel Gas Distribution Corporation

Michael W. Reville
Deputy General Counsel