Received: 4/25/2000

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

April 25, 2000

Hon. Debra Renner
Acting Secretary
Public Service Commission
Three Empire State Plaza
Albany, NY 12223-1350

Re: Proposed Tariff Revision under Case 99-M-0631

Dear Secretary Renner:

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

Leaf No. 271	Revision 3
Leaf No. 272	Revision 3
Leaf No. 273	Revision 6
Leaf No. 274	Revision 7
Leaf No. 274.1	Revision 0

The tariff amendments are issued as of today for an effective date of May 1, 2000.

<u>Proposed Revisions</u>

The above-listed revised tariff sheets amend Service Classification No. 19, Supplier Transportation, Balancing and Aggregation ("STBA") service, by adding an all new Temporary Interim Billing Service("TIBS"). If approved, TIBS will be an interim, optional service available to STBA Suppliers (marketers) until it is replaced with a more permanent service. Currently, retail billing under the STBA tariff is performed exclusively by the Supplier. The tariff amendments do not modify Supplier billing requirements.

A Supplier who elects TIBS would be relieved of billing obligations for aggregated retail customers. For its own charges and on behalf of the Supplier, Distribution would provide invoicing, remittance processing and any associated "back-office" operations (including call center activities) already performed for utility service customers as a function of the Company's obligation to serve. The proposed amendments further provide as follows:

Received: 4/25/2000

- Company would bill a Supplier's STBA Customers for gas supplies sold by the Supplier together with Company's STBA charges, excluding current balancing charges and associated penalties, if any, which would be billed directly to STBA Supplier.

- Customer payments received by the Company would be applied first to utility charges due under a deferred payment agreement, and next to utility charges past due and current, next to past due STBA Supplier charges (imbalance charges) and lastly to charges for other services (including TIBS). Remaining proceeds would be remitted to Supplier on a daily basis, unless otherwise agreed.

- TIBS is proposed to be a "rate-ready" service. Accordingly, the STBA Supplier must timely provide the Company with billing rate data in an acceptable form and manner.

- Customer Budget billing would be available under TIBS.

- TIBS bills would be issued according to the Company's traditional cycle billing schedule, based on meter-read dates available for inspection on the Company's web site.

- Customers receiving TIBS billing would receive consumer protections available to bundled-service utility customers (under, e.g., Service Classification Nos. 1 and 3).

- Supplier is obligated to maintain consumer response capabilities for customer inquiries regarding Supplier's services and rates.

The charge for TIBS is proposed to be $0.50 per customer bill issued. This price would be subject to modification (1) consistent with a compliance filing, issued by the Company and approved by the Commission, pursuant the billing order in Case 99-M-0631[1]; or (2) upon the effective date of a subsequent tariff amendment, filed by the Company and approved by the Commission.

Although the Company will incur costs in providing TIBS, the proposed $0.50 charge is not intended to be a strictly cost-based rate. Rather it is an estimate of a fair market price based on informal discussions with Staff, marketers (including marketers interested in purchasing the service) and other utilities providing a billing service. TIBS is intended to be a temporary service designed to meet the short-term needs of marketers who have requested the Company to provide a billing service. On April 24, 2000, the Company submitted draft tariff sheets for Staff's inspection proposing a permanent billing service pursuant to the Commission's Billing Order. The April 24 document also included a proposed methodology for calculating a billing "back-out" credit for marketers performing the retail billing function. In addition, the Company proposed a methodology for calculating a charge for the successor to TIBS. The Company's proposals will be examined by Staff and reviewed by interested parties. Presumably the proposals will be refined, and on June 26, 2000, Distribution plans to file tariff amendments setting forth rates, charges, terms and conditions for a permanent billing service to become effective in October, 2000. Under the circumstances, it is premature to submit a fully-developed cost-based (or market-based) billing service. But the market demand is current. Accordingly, TIBS would provide an important public service during the interim period.

Because of the temporary, interim nature of TIBS, the Company is proposing to set aside and defer TIBS revenues and incremental expenses for later disposition or rate treatment as appropriate.

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[1] Case 99-M-0631, In the Matter of Customer Billing Arrangements, <u>Order Providing for Customer Choice of Billing Entity</u> (issued and effective March 22, 2000) ("Billing Order").

Received: 4/25/2000

Background

This filing is submitted under the authority of the Billing Order, which provided at ordering paragraph no. 3:

> Any utility desirous of filing additional tariff amendments to authorize other billing arrangements to meet customer needs in the interim, as such customers may request, may do so, to become effective on not less than one day's notice, on a temporary basis.

In addition, on page 14 of the Billing Order, at footnote no. 1, the Commission declared that "if ESCOs and utilities believe they can initiate . . . 'Utility Single Bill' arrangements sooner [than October 2, 2000], they should proceed with negotiated agreements. Those agreements, however, would not supersede the requirements here." TIBS meets all of the requirements of the Billing Order for an interim billing service as follows:

- It is proposed to be an interim, temporary service.

- It is submitted in response to marketer inquiries on behalf of end-use customers who desire utility-styled billing service. More specifically, at least two marketers (municipal utility STBA Suppliers) have urged Distribution to seek approval for a retail billing service to replace their own services. Additional marketers have also expressed an interest in electing the Utility Single Bill option.

- Specific, "negotiated agreements" are contemplated in the proposed amendments. Those agreements, however, would be subject to the requirements in the Billing Order (upon the effective date of pertinent tariff revisions).

Reasons for Making the Proposed Revisions

Suppliers under Distribution's STBA tariff are currently serving, and billing, almost 80,000 small-volume customers. Although the majority of Suppliers have expressed a preference for the Supplier Single Bill model, a group has repeatedly requested that Distribution "resume billing" for its customers. Although the Billing Order provides for Utility Single Billing, the later effective date - October 2, 2000 - would cause a hardship for the interested Suppliers, who are experiencing billing difficulties. Other Suppliers have also expressed a strong interest in having a Distribution-provided billing service among the options available for billing services.

Distribution is also interested in offering TIBS because it will provide the means for testing and perfecting billing service functions in advance of the roll-out date for a permanent billing service. Although the Company has gained experience with the Utility Single Bill model in Pennsylvania, the New York billing environment has its own distinctive rules, regulations and practices. Current projections for TIBS suggest that less than 5,000 customers will be billed during the first two months of service. The Company believes that under any circumstances, projections for a start-up service are manageable.

Objectives

The Company anticipates that TIBS will meet a short-term market need in the interim period before the development and approval of a permanent billing service under the Billing Order. TIBS is expected to resolve billing difficulties currently experienced by several STBA Suppliers. It will also allow the Company an opportunity to perform real-market testing of its billing services. Distribution also believes that continued utilization of its customer service assets is an important objective served by TIBS and a later, permanent billing service. Suppliers bill over 15% of Distribution's customers. Given that Distribution will remain the supplier of

Received: 4/25/2000

last resort for the foreseeable future, it is expected that the Company's billing infrastructure will be maintained to serve that role. As a result, Distribution, like any utility, is a natural billing service provider. It should be permitted to offer its billing services to the public.

Effect of Proposed Revisions

The Company anticipates that TIBS will produce modest revenue increases, offset by incremental costs. Non-participant customers will not be affected. Participant customers will receive a new bill replacing their Supplier's bill. The Company does not know whether TIBS charges will be passed along to Suppliers' STBA customers or absorbed by the Suppliers. Given that the Suppliers electing to receive TIBS are already incurring costs for billing, it is expected that customers will experience either no effect or a rate decrease, if savings achieved by the Supplier are passed along.

Newspaper Publication

The requirement for newspaper publication was waived by the Commission for filings submitted under ordering paragraph no. 3. Billing Order at 15.

Company Contacts

Communications relating to this filing should be directed to the undersigned at 716/857-7313 or RevilleM@natfuel.com.

Respectfully submitted,

Michael W. Reville