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..TXT:

March 31, 1999

Honorable Debra Renner
Acting Secretary
Public Service Commission
State of New York
3 Empire State Plaza
Albany, New York 12223

Re: Case Nos. 93-G-0932 and 97-G-1380

Dear Acting Secretary Renner:

The enclosed revised leaves and statements, issued by New York State Electric & Gas Corporation ("NYSEG" or the "Company"), are transmitted for filing in compliance with the requirements of the Public Service Commission (the "Commission" or the "PSC"), State of New York.

Fourth Revised	Leaf No. 13	to PSC No. 87 Gas
Fourth Revised	Leaf No. 17	to PSC No. 87 Gas
Second Revised	Leaf No. 34.1	to PSC No. 87 Gas
Fourth Revised	Leaf No. 35	to PSC No. 87 Gas
Fourth Revised	Leaf No. 44	to PSC No. 87 Gas
Second Revised	Leaf No. 48	to PSC No. 87 Gas

and

TS Statement No. 1 to PSC No. 87 Gas

Third Revised	Leaf No. 12.1	to PSC No. 88 Gas
First Revised	Leaf No. 12.3	to PSC No. 88 Gas
Fifth Revised	Leaf No. 15	to PSC No. 88 Gas
Fifth Revised	Leaf No. 16	to PSC No. 88 Gas
Third Revised	Leaf No. 16.1	to PSC No. 88 Gas
Second Revised	Leaf No. 53.1	to PSC No. 88 Gas
Third Revised	Leaf No. 66	to PSC No. 88 Gas
Fourth Revised	Leaf No. 69	to PSC No. 88 Gas
Fifth Revised	Leaf No. 98	to PSC No. 88 Gas
Fourth Revised	Leaf No. 100	to PSC No. 88 Gas
Sixth Revised	Leaf No. 105	to PSC No. 88 Gas
Fourth Revised	Leaf No. 106	to PSC No. 88 Gas

and

TS Statement No. 1 to PSC No. 88 Gas

Fourth Revised	Leaf No. 3	to PSC No. 90 Gas
First Revised	Leaf No. 98	to PSC No. 90 Gas
Original	Leaf No. 99	to PSC No. 90 Gas

Effective April 1, 1999.

Proposed Revisions

NYSEG submits further revisions to the proposed tariff leaves filed with the PSC on January 29, 1999 and March 30, 1999 in compliance with the Commission's Order Concerning Assignment of Capacity ("Order CAC") issued March 24, 1999, in the above captioned cases.

These further revisions reflect the tariff and rate changes ordered by the Commission. NYSEG recognizes that these revisions are temporary until approved by the Commission on a permanent

basis. The enclosed tariff leaves reflect the following:

- (1) Change the title "Market Transition Surcharge" to "Transition Surcharge".
- (2) Modify the Transition Surcharge applicability to firm sales and post November 2, 1995 firm transportation customers.
- (3) Include Staff's formula for calculation of the stranded cost surcharge.
- (4) Incorporation of language to allow customers or marketers to voluntarily take an assignment of capacity. The capacity cost will continue to be based on the Company's weighted average cost of capacity.
- (5) Modify the Marketer demonstration of firm, non-recallable, primary point capacity to reflect less capacity is needed in the summer and transition months (April – October) than during the winter months (November – March).
- (6) Remove the special provisions in PSC No. 88 – Service Classification Nos. 13 and 14 related to migration caps. These migration limits were for calendar years 1996, 1997, and 1998, and are no longer applicable.

Requested Waiver to Continue Capacity Assignment in Certain Areas

On December 30, 1998, NYSEG filed a response to the Commission's Policy Statement Concerning the Future of the Natural Gas Industry and Order Terminating Capacity Assignment ("Policy Statement and Order") issued November 3, 1998 whereby LDC's were given the opportunity to demonstrate where such specific operational and reliability requirements continue to warrant capacity assignment. NYSEG requested waiver of the Commission's Policy Statement so that migrating customers in Cattaraugus County (referred to as "Olean") of the Company's Binghamton Area continue to be assigned capacity. NYSEG also requested that migrating customers in its Goshen area, Mechanicville district, and Champlain area/Plattsburgh district be required to utilize NYSEG's capacity.

In Order CAC, the Commission granted NYSEG's requested relief as it relates to the Columbia capacity for Olean, the intermediate "distribution company" capacity (O&R and Niagara Mohawk) for Goshen and Mechanicville, and the intrastate pipeline capacity (North Country Pipeline) for the Champlain area/Plattsburgh district. Capacity assignment for pipeline transportation upstream of Columbia, O&R, NIMO, and North Country was denied. The Company's tariffs reflect this requirement.

Transition Surcharge

In NYSEG's January 29, 1999 submission, the Company proposed to implement a Market Transition Surcharge ("MTS") to recover its stranded capacity and system implementation costs from both firm sales and firm transportation customers. NYSEG proposed an alternate method for recovery, as contemplated in Opinion 98-17, since the Company does not operate with a gas adjustment clause, and cannot rely on that mechanism to recover strandable costs.

In Order CAC, the Commission granted NYSEG's alternate recovery method, but instructed the Company to exclude system implementation costs and only apply the Transition Surcharge ("TS") to firm sales and post-aggregation firm transportation customers consistent with the PSC's February 22, 1999, Order Concerning Recover of Stranded Cost ("Stranded Cost Order"). Attached as Appendix A is NYSEG's TS calculation. Since this is an electronic filing, all appendices to be attached are being sent by overnight mail.

NYSEG will impose the TS on firm sales and post November 2, 1995 firm transportation customers effective April 1, 1999. As noted in the Commission's Stranded Cost Order (memo, pp. 10-11), NYSEG filed to change its transportation tariff in 1995 to require sales customers that switched to transportation service after November 1, 1993, to take an assignment of NYSEG's upstream capacity. The Commission only allowed NYSEG to assign capacity to customers switching to transportation service after November 2, 1995. To be consistent with that provision, NYSEG proposes to charge post-November 2, 1995 firm transportation customers the TS.

On March 23, 1999, NYSEG submitted a Petition for Rehearing of the Commission's Stranded Cost Order. NYSEG requested rehearing to the extent that the Commission exempted pre-aggregation firm transportation customers, pre-November 2, 1995 firm transportation customers in the context of NYSEG's service, from contributing to the recovery of the LDC's net stranded costs. Since the Commission has not yet ruled on the Company's petition, the enclosed tariff leaves only impose the TS on firm sales and post November 2, 1999, firm transportation customers.

Continuation of Managed Storage Service ("MSS")

The Commission's Order CAC states, "the company is directed to continue to offer the MSS as an option, unless it can demonstrate that the service is no longer practical" (Appendix III, p. 10). NYSEG will demonstrate that continuation of MSS is no longer practical and that elimination of the program is appropriate for the reasons provided in attached Appendix B. Therefore, the enclosed tariff leaves do not reflect the continuation of MSS.

Background

On January 29, 1999, NYSEG filed proposed tariffs in response to the Commission's Policy Statement and Order. The Company's January 29, 1999, filing included tariff revisions to reflect the elimination of mandatory capacity assignment, except for certain limited areas as noted above, the creation of a Market Transition Surcharge ("MTS") applicable to all firm sales and firm customers, general information changes to PSC No. 88, the creation of Service Classification No. 11 - Non-Daily Metered Transportation Monthly Balancing Service, and minor wording and reference changes. The Company also submitted three revised tariff leaves on March 30, 1999, to correct a definitional oversight included in the January 29th filing.

NYSEG's January 29, 1999, submission included a comprehensive review of the proceedings and prior NYSEG submissions associated with its compliance filing and will not be repeated here.

On February 22, 1999, the Commission issued its Stranded Cost Order directing the major gas companies to recover prudent net stranded costs from all firm sales and post-aggregation firm transportation customers.

On March 24, 1999, the Commission issued its Order CAC, addressing each LDC's compliance filing eliminating mandatory capacity assignment and required further revisions to the LDC's tariffs to comply with its Order.

Notification

Per Ordering clause 3 of the Commission's Order CAC, the requirement of §66(12)(b) of the Public Service Law as to newspaper publication of the revisions is waived.

Company Contacts

Questions regarding this filing should be addressed to the undersigned at (607) 762-5611, or Dan Verdun at (607) 762-4296.

Very truly yours,

/sra
Encls.
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