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August 14, 1997

Honorable John C. Crary
Secretary
Public Service Commission
State of New York
3 Empire State Plaza
Albany, New York 12223

Dear Secretary Crary:

The enclosed revised leaves, 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, State of New York.

Second	Revised	Leaf No. 2	to PSC No. 88 Gas
Third	Revised	Leaf No. 7	to PSC No. 88 Gas
First	Revised	Leaf No. 13	to PSC No. 88 Gas
First	Revised	Leaf No. 15	to PSC No. 88 Gas
First	Revised	Leaf No. 16	to PSC No. 88 Gas
Original		Leaf No. 16.1	to PSC No. 88 Gas
Original		Leaf No. 16.2	to PSC No. 88 Gas
Original		Leaf No. 16.3	to PSC No. 88 Gas
First	Revised	Leaf No. 34	to PSC No. 88 Gas
First	Revised	Leaf No. 35	to PSC No. 88 Gas
Second	Revised	Leaf No. 55	to PSC No. 88 Gas
Second	Revised	Leaf No. 71	to PSC No. 88 Gas
First	Revised	Leaf No. 95	to PSC No. 88 Gas
Second	Revised	Leaf No. 99	to PSC No. 88 Gas
First	Revised	Leaf No. 100	to PSC No. 88 Gas
First	Revised	Leaf No. 101	to PSC No. 88 Gas
Second	Revised	Leaf No. 105	to PSC No. 88 Gas
Original		Leaf No. 105.1	to PSC No. 88 Gas
First	Revised	Leaf No. 106	to PSC No. 88 Gas
Original		Leaf No. 107	to PSC No. 88 Gas

Effective November 1, 1997.

Proposed Revisions

NYSEG submits, pursuant to the Commission's Opinion 94-26 in Case No. 93-G-0932 and subsequent related orders, proposed tariff leaves to offer Managed Storage Service ("MSS") to all firm aggregation transportation customers under PSC No. 88 migrating from residential or non-residential firm sales service to Service Classification Nos. 13 and 14.

NYSEG also submits proposed changes to all its firm transportation classifications removing the requirement for back-up service for critical service customers, as defined in NYSEG's tariff, if the customer's agent can provide adequate assurance that the customer is guaranteed to receive gas at all times.

Reasons for Proposed Revisions

The proposed MSS is being filed in compliance to a Commission order in Case No. 93-G-0932 that all natural gas distribution companies offer unbundled storage to its customers. NYSEG currently offers unbundled storage to its non-aggregated firm transportation service customers (Service Classification Nos. 1 and 5 of PSC No. 88 Gas) as part of its unbundling of upstream assets provision.

The proposed MSS will extend the benefit of unbundled storage on a managed basis to all aggregation transportation customers migrating from residential and non-residential firm sales service.

The proposed wording change to remove the requirement for back-up service for critical service customers if the customer's agent can provide adequate assurance that the customer is guaranteed to receive gas at all times is done to benefit customers who can properly arrange for firm deliveries with no chance of failure.

Background

In December, 1994, the PSC issued Opinion 94-26 in Case No. 93-G-0932 implementing the restructuring of the natural gas industry in the State of New York. As part of that order, local distribution companies were instructed to enter into a proceeding to discuss the unbundling of upstream assets, including natural gas storage facilities.

Subsequent to that proceeding, the Commission ordered all local distribution companies to offer storage as part of the mix of unbundled upstream assets, since it is the mix of upstream pipeline capacity and storage that a utility uses to meet its customers' peak day requirements. The method of storage unbundling was left to the discretion of each utility to offer a proposal that would best match the needs of each Company and the transportation and sales customers. NYSEG proposes to offer storage to customers through MSS whereby the customers would enjoy all the benefits of no-notice storage and NYSEG would manage the direction of gas deliveries to and from both storage and the city gate.

Concurrently, NYSEG also reviewed its current policy requiring all critical service transportation customers to take back-up service, either in the form of reservation of sales customer status or standby sales service. After review of this requirement based on over ten years of experience in offering transportation service, NYSEG felt that requiring back-up service was not necessary if a customer or their agent could prove to NYSEG's satisfaction that the customer would not be at risk of failure of delivery. Failure to deliver to critical service customers can have very serious consequences, and NYSEG is determined to proceed forward with deregulation but not at the expense of customer safety. NYSEG therefore feels that while this change in its requirements will further the goals of unbundling, NYSEG shall continue to be the sole arbiter in determining what is adequate supply assurance to guarantee firm service.

Details of Tariff Revision

NYSEG's current unbundling of upstream assets to aggregated transportation customers (Service Classification Nos. 13 and 14 of PSC No. 88 Gas) allocates upstream pipeline capacity on an average day of the peak month. Customers and marketers alike are familiar with this methodology for allocation of pipeline capacity. NYSEG's proposed MSS will work in conjunction with the current program. Managing the customers's storage needs is merely an extension of the current policy.

Under MSS, customers taking gas off of the Tennessee or CNG supply areas would continue to receive upstream pipeline capacity equal to the average day of the peak month and would receive MSS equal to the difference of their peak day and the average day of the peak month. The allocation method for upstream pipeline capacity will remain consistent to benefit all customers, and the MSS will supplement all the customers' needs up to their peak days.

Customers taking gas off of the Columbia area would be treated differently because of the Company's constraints. Gas deliveries off Columbia are severely constrained on a peak day (assumed to be 75 heating degree days). NYSEG therefore proposes to allocate pipeline capacity combined with MSS to meet customers' needs at 64 heating degree days, and the customers needs beyond this point (i.e., to serve peak day loads) will continue to be met using distribution system assets.

NYSEG's proposal to remove the back-up service is likewise a move toward increased unbundling. In the past, NYSEG required all critical service customers to take a back-up service because of the potential risk to customers if gas were not delivered during critical periods. As a result of experience over the last ten years, NYSEG is willing to relax this position since some marketers have shown that they are capable of guaranteeing firm delivery on upstream pipelines. As such, NYSEG will consider on a case-by-case basis, the waiver of the requirement for back-up service if the marketer can provide assurance that the customer is at no risk. NYSEG considers this move in the best interest of the customer and the marketer while at the same time forwarding the Commission's desire to unbundle utility

services. However, NYSEG will not waive the back-up service provision where there is any reasonable possibility of customer safety risk.

Customer Impact Assessment

There is no negative impact to any customer as a result of this filing. The MSS is being filed in compliance with the Commission's directive on unbundling and MSS will be priced such that non-participants will not be made worse off.

The ability to waive the requirement for back-up service for critical service transportation customers will have no negative customer impact since NYSEG will not waive the requirement if any undue risk would be created.

Newspaper Publication & SAPA

Publication of this proposed change will be made in accordance with 16 NYCRR 136.70.

A State Administrative Procedures Act (SAPA) Notice is enclosed for publication in the State Bulletin.

Company Contacts

Questions regarding this filing should be addressed to Marc Webster at (607) 762-8075 or Dan Verdun at (607) 762-4296.

Very truly yours,

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Encls.
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Steven R. Adams
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