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THE BROOKLYN UNION GAS COMPANY
One MetroTech Center
Brooklyn, NY 11201

February 1, 1999

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

Dear Acting Secretary Renner:

Re: Case 93-G-0932		Proceeding on Motion of Commission to Address Issues Associated with the Restructuring of the Emerging Competitive Natural Gas Market.
Case 97-G-1380		In the Matter of Issues Associated with the Future of the Natural Gas Industry and the Role of Local Gas Distribution Companies.

Dear Acting Secretary Renner:

Attached for filing electronically with the Commission are the following tariff leaves, issued by The Brooklyn Union Gas Company ("the Company") to become effective on and after April 1, 1999:

Second Revised Leaf No. 5
Second Revised Leaf No. 86
Original Leaf No. 89.1
Second Revised Leaf No. 309
Second Revised Leaf No. 310
Second Revised Leaf No. 346
Second Revised Leaf No. 347
to Schedule for Gas Service, PSC No. 12-GAS.

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The purpose of this filing is to comply with the following the Commission's *Policy Statement*[1] directing that local distribution companies ("LDCs") terminate the mandatory assignment of capacity.

The *Policy Statement* requires that LDCs provide gas marketers with the option of utilizing the customer's utility upstream capacity or declining such capacity and procuring the marketers' own capacity for their customer pools. The Company's tariff already provides this option. Therefore, no tariff changes to accommodate this part of the order is necessary.

The *Policy Statement* also addressed the LDCs' right to recover stranded upstream capacity costs resulting from the migration of firm sales customers to transportation service. The enclosed leaves set forth a mechanism by which the Company may recover such costs. This action will provide the mechanism for customers through marketers to move from utility to non-utility capacity options while the Company recovers stranded capacity costs associated with this activity from all firm sales and transportation customers. The provision to recover stranded capacity costs will be incorporated into the tariff to be effective April 1, 1999.

The Company shall equate its stranded upstream capacity resulting from third party gas transaction to be equal to the sum of gas marketers' capacity delivered to the Company's citygate on behalf of the Company's aggregated transportation customers. The cost associated with such stranded capacity shall be calculated monthly by determining the Company's average actual cost for capacity (excluding the cost of capacity used to effectuate off system sales) and multiplying that cost by the ratio of total monthly stranded capacity volumes divided by total monthly capacity owned by the Company (excluding capacity used to effectuate off system sales). This cost shall be recovered on a volumetric basis from all firm sales and firm transportation customers by dividing such stranded cost by the forecasted volumes for firm sales and firm transportation customers.

If you have any questions regarding this filing, please contact Nancy Cianflone at 718-403-2505 or Mark Marra at 718-403-3046.

Respectfully submitted,

THE BROOKLYN UNION GAS COMPANY

By: ________________________________

[1]*Policy Statement Concerning The Future Of The Natural Gas Industry In New York State and Order Terminating Capacity Assignment*, Cases 93-G-0932 and 97-G-1380, issued November 3, 1998 ("*Policy Statement*").

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