Received: 11/1/2004

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November 1, 2004

Hon. Jaclyn A. Brilling, Secretary
Public Service Commission
Three Empire State Plaza
Albany, NY 12123-1350

Re: Case No. 02-M-0515 – Compliance Filing
Proceeding on Motion of Commission to Establish Gas
Transportation Rates for Distributed Generation Technologies

Dear Secretary Brilling:

Enclosed for filing in the above-referenced proceeding are tariff amendments designed to implement the requirements of the Commission's *Order Providing For Distributed Generation Gas Service Classifications* issued on August 4, 2004 ("August 4th Order"). The proposed tariff amendments are issued as of today for an effective date of November 2, 2004.

Leaf No. 3.1	Revision 3
Leaf No. 74	Revision 6
Leaf No. 74.1	Revision 2
Leaf No. 74.3	Revision 1
Leaf No. 138	Revision 5
Leaf No. 143	Revision 5
Leaf No. 144	Revision 3
Leaf No. 148.2	Revision 4
Leaf No. 148.3	Revision 3
Leaf No. 148.4	Revision 2
Leaf No. 148.6	Revision 4
Leaf No. 303	Revision 0
Leaf No. 304	Revision 0
Leaf No. 305	Revision 0
Leaf No. 306	Revision 0

Background

The Commission's August 4th Order requires the Company to establish a service classification ("SC") for Residential Distributed Generation ("DG").

As explained below and provided in the modified tariff sheets included in this filing, the Company has complied with these requirements.

Explanation

Pursuant to the Commission's August 4th Order the DG rates provided under SC 24 were developed with the following features:

(1) Embedded Cost Basis

The DG rates were calculated utilizing the embedded cost revenue requirements and associated annual throughput and coincident peak day volumes for the residential firm non-gas cost rates as established in Case 98-G-1291. The SC revenue requirements in that case formed the basis for the Company's existing base sales and transportation rates included in the Company's current tariff.

(2) Unbundled Rate

The DG rates included in SC 24 are provided on an unbundled basis. Separate Natural Gas Delivery and Natural Gas Supply charges are identified. Customers receiving service under SC 24 will be provided with the choice of receiving natural gas supply service from the Company or from an alternative Energy Service Company ("ESCO"). If a customer chooses an ESCO, the ESCO will be required to meet the qualifications and delivery requirements of the Company's current aggregation program as specified under the Company's SC 19.

(3) Volumetric Rate Design for Residential Customers with DG Units

The Company designed rates for residential customers with installed DG units using existing embedded costs at a 50% load factor.

The non-gas cost revenue requirements (exclusive of minimum charges) and associated imputed annual throughput and peak day consumption for the current volumetric residential sales and transportation categories were utilized in designing volumetric rates.

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The table below summarizes the calculation of the base delivery rates for residential customers with installed DG units.

(1)	Total Non-Gas Cost Revenue in SC 1 Usage Rates			$132,424,000		Imputed in Case 98-G-1291
(2)	Total Peak Day Volume for SC 3, TC 1.1, & TC 2	521.800	MMcf			Based on Imputed volumes in Case 98-G-1291
(3)	Multiplied by	365	Days			
(4)	Multiplied by Target Load Factor	50	%			
(5)	Implied Billing Units			95,229	MMcf	Line (2) x Line (3) x Line (4)
(6)	50% Load Factor Rate			$1.39060	/Mcf	Line (1) divided by Line (5) divided by 1000
(7)	Base Reserve Cost of Gas			$0.14180	/Mcf	
(8)	Total Base 50% Load Factor Rate			$1.53240	/Mcf	Line (6) + Line (7)
(9)	Per Ccf Total Base 50% Load Factor Rate			$0.15324	/Ccf	Line (8) divided by 10

Included in base delivery rates is a charge of $0.014180 per Ccf for Reserve Capacity Costs. This relates to the peaking capacity maintained by the Company in order to provide delivery for customer requirements on peak day that exceeds the maximum daily delivery quantity, which the Company may require an ESCO to supply. This charge is currently included in all of the Company's firm delivery rates for sales and aggregation services.

(4) Automatic Verification of DG Consumption

The August 4th Order supported the concept of using computer analysis of gas consumption patterns to verify that a customer is using gas for DG. The Company has included in the tariff a provision whereby a customer would be billed under the residential rates in effect for the month if the customer's consumption deviates significantly from what would be expected of a residential DG customer. Based on information provided by Plug Power in this proceeding, gas consumption of DG units was approximately 291 therms per month with a 100 therm per month potential for hot water displacement.[1] Applying this incremental consumption requirement to that of the average residential customer the Company developed minimum consumption expectations for the average residential customers for winter (December – April) and non-winter periods (May – November). Further, if the customer's usage pattern

[1] Proceeding on Motion of the Commission to Establish Gas Transportation Rates for Distributed Generation Technologies, Case 02-M-0515, Comments of Plug Power In Response to the Commission's Order Dated April 24, 2003; filed on September 5, 2004, page 2.

consistently deviates from what is expected of a DG customer they could be removed from the rate classification if it is determined that their DG unit is no longer in operation.

(5) Minimum Load Factor Requirement

In order to maintain qualifications for the DG service rate schedule, customers must maintain an annual load factor of at least 50%. Such load factor requirement shall be determined by dividing average annual consumption by the peak daily consumption of the customer during the winter months. If actual daily winter meter readings are unavailable, the daily winter requirement will be estimated by the Company.

Company Contacts

For questions relating to this filing, please contact the undersigned or Eric Meinl at (716) 857-7000.

Respectfully Submitted,

Michael W. Reville