

THE BROOKLYN UNION GAS COMPANY d/b/a KEYSPAN ENERGY DELIVERY NEW YORK  
One MetroTech Center  
Brooklyn, NY 11201

October 31, 2005

Honorable Jaclyn A. Brilling,  
Secretary  
Public Service Commission  
New York State  
Executive Office, 14th Floor  
Three Empire State Plaza  
Albany, New York 12223

Dear Secretary Brilling:

The Brooklyn Union Gas Company d/b/a KeySpan Energy Delivery New York ("KED NY" or "Company") hereby files electronically the following tariff leaves to become effective December 1, 2005:

Second Revised Leaf No. 199  
Second Revised Leaf No. 209  
Second Revised Leaf No. 221

to Schedule for Gas Service, P.S.C. No. 12.

The purpose of this filing is to clarify the pricing as set forth under Service Classification Nos. 6C, 6G, and 6M to Schedule for Gas Service, P.S.C. No. 12. The Company respectfully requests that these tariffs be allowed to go into effect so that its prices to Service Classification No. 6C, 6G, and 6M sales customers can reflect its incremental cost of gas. The TC sales service rates provided in that Statement were based on the Company's incremental cost of gas, which is the floor price under the TC tariff, SC-6 (C, M, & G), but exceed the stated cap on TC sales rates in the existing tariff.

KED-NY's TC tariff states "The Company will, at its sole discretion, set the rate per therm at a level which is no less than the Company's Incremental Cost of Gas as filed with the Public Service Commission and no higher than the tailblock rate of Service Classification No. 2 (General Service-Non-Residential – Rate Schedule 1 (Non-Heating) inclusive of the applicable Monthly Cost of Gas less \$.01. (E.g., SC-6C, Rate Schedule 1, Leaf 197.) Increases in the wholesale cost of natural gas has have caused this pricing mechanism to have anomalous results, contrary to the intent of the tariff.

For the month of November, the Company's Incremental Cost of Gas (Floor Price), as shown in the Statement of Standard Offer Price, is \$16.697/dth. Pursuant to the above-quoted language, the TC cap price is \$16.60/dth. Because the Floor Price exceeds the TC cap, KED NY is unable to price TC service without a tariff amendment, and the Company has a commitment to continue serving TC customers.

Secretary Brilling  
Page 2

October 31, 2005

The Company has set the TC sales price for November at the Incremental Cost of Gas, as that method is consistent with the intent of the TC sales pricing mechanism. It is also consistent with the methodology for pricing Interruptible Sales, in that when the Incremental Cost of Gas exceeds the Interruptible Sales cap, the sales price is based on the Incremental Cost of Gas. KED-NY's Interruptible Sales tariff, SC No. 5A, Leaf 175.1 states: "...whenever the Floor Price exceeds the Ceiling Price, the Company shall endeavor, on a best efforts basis, to provide gas to such sales customers at an Interim Rate equal to the Company's Incremental Cost of Gas plus \$.10/dth, excluding taxes." The Company's proposed amendment to the TC tariff's pricing mechanism replicates this language, except for the price margin of \$.10/dth. Because it is a floor price, KED-NY should have maximum flexibility to price TC sales service as far above the incremental cost of gas as the market will allow.

Allowing this action to become effective will permit the Company to continue to honor its tariff obligation to serve TC sales customers, and to price TC Sales service at no less than its incremental cost of gas. The Commission does not need to worry that TC sales customers will be harmed by KED NY's ability to disregard the TC sales cap when it is less than the incremental cost of gas. The customers' ability to burn an alternate fuel, as well as commodity competition of multiple natural gas marketers, effectively prevent the Company from setting rates that are higher than the market rate.

If you have any questions regarding this filing, please contact Jennifer Feinstein at (718) 403-2914.

Very truly yours,

Catherine L. Nesser  
Counsel