



June 30, 2009

Honorable Jaclyn A. Brillling, Secretary  
State of New York  
Public Service Commission  
Office of the Secretary, 19th Floor  
Three Empire State Plaza  
Albany, New York 12223-1350

**Re: Case 09-M-0311 – Implementation of Chapter 59 of the Laws of 2009  
Establishing a Temporary Annual Assessment Pursuant to Public  
Service Law §18-a(6)**

Dear Secretary Brillling:

Pursuant to Ordering Paragraph No. 1 of the Commission's "Order Implementing Temporary State Assessment" issued June 19, 2009 ("June 19th Order"), KeySpan Gas East Corporation d/b/a National Grid ("the Company") hereby files the following tariff leaves and statement to become effective on July 1, 2009:

Sixth Revised Leaf 119.50  
First Revised Leaf 119.51  
Eighth Revised Leaf 129.1  
Seventh Revised Leaf 170  
Incremental State Assessment Surcharge No. 1  
to P.S.C. No. 1-GAS

On April 7, 2009, New York State enacted the budget for 2009-2010, which required the Department of Public Service to collect a Temporary State Energy and Utility Service Conservation Act Assessment ("Temporary State Assessment") effective from April 1, 2009 to March 31, 2014. The Temporary State Assessment is projected to generate \$540 million in additional revenue during the 2009-2010 State Fiscal Year and is applicable to electric, gas, water and steam corporations subject to the New York State Public Service Commission's jurisdiction.

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Leaf 119.50 contains the Incremental State Assessment Surcharges that will recover the Temporary State Assessment imposed pursuant to Chapter 59 of the Laws of 2009, Public Service Law §18-a(2) and §18-a(6) ("18-a Assessment") plus the amount of the State's General Assessment not recovered in base rates, plus other allowable costs as set forth in the June 19 Order over a 12-month period beginning July 1, 2009. The Incremental State Assessment surcharge will be revised each July 1<sup>st</sup> thereafter continuing through June 30, 2014. Leaves 129.1 and 170 revise the Company's current ceiling price for its interruptible and temperature controlled customers served under Service Classification Nos. 4, 7, 12 and 13 to permit the assessment of the applicable surcharges.

The proposed surcharges reflect a forecast of applicable carrying charges calculated at the Company's pre-tax rate of return of 11.52% and uncollectible expenses at the allowed net write-off rate reflected in base rates, 0.75%.

In order to develop the Incremental State Assessment Surcharges, the Company allocated its 2008 assessable utility revenues among its various firm and non-firm sales and transportation classifications. These service classifications were then consolidated into six major categories: Residential Non-Heating, Residential Heating, Commercial, Multi-Family, Other Firm and Non-Firm in order to determine the percentage of each category's revenue contribution to the Company's total revenues. The assessment surcharge was then allocated to each category based on its share of total revenues and an assessment surcharge factor was determined by dividing the assessment surcharge by estimated throughput for July 1, 2009 through June 30, 2010. As a result, all service classifications within a category will be assessed the same surcharge factor.

Service Classifications 9, 10, 15, 16 and 17 were consolidated into the Other Firm category due to the small number of customers in these service classifications. Since over- or under-recoveries from reconciliations will be returned or charged to customers using the same class allocation method used to establish the Incremental State Assessment Surcharges, customer switching between these classes could significantly affect individual customer responsibility. For example, if one customer who represented 50% of the load in a service classification switched classes in July, there would be an undercollection of 50% of the assessment. The underrecovery would be borne by all of the service classification's remaining customers. The service classifications were combined to mitigate this possibility.

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Service Classifications 4, 7, 12 and 13 were combined into the Non-Firm category to discourage non-firm customers from switching service classifications to the non-firm class with the lowest Incremental State Assessment surcharge.

Beginning July 1<sup>st</sup>, the Company will include the Incremental State Assessment Surcharge for Service Classifications 1A, 1AR, 1B, 1BR, 1B-DG, 2A, 2B, 3A, 3B, 5, 9, 10, 15, 16, and 17 in the applicable Delivery Rate Adjustment. The Company has determined that the cost of programming its billing system to develop a separate line item for the surcharge is significant and could not be accomplished on a timely basis. Accordingly, the Company proposes to avoid this cost and to bill the Incremental State Assessment Surcharge through the Delivery Rate Adjustment until the Temporary State Assessment expires in 2014.

Included with this filing are the following attachments:

Attachment 1: The Company's estimate of energy service company revenues calculated in accordance with the June 19th Order and included in the Company's gross operating revenue from intrastate utility operations.

Attachment 2: Workpapers setting the derivation of Incremental State Assessment Surcharges as well as typical bill impacts.

Per Ordering Clause No. 3 of the June 19 Order, the provision of Public Service Law §66(12)(b) and Commission Rule (16 NYCRR §720.8.1) that publication of tariff changes are waived.

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

Very truly yours,

Melissa R Nairn  
Principal Analyst, Gas Pricing

/MN  
Attachments  
cc: Active Party List – C. 09-M-0311

## Attachment 1

**KeySpan Gas East Corporation d/b/a National Grid  
ESCO Revenues for Calendar Year 2008**

| <u>Service Category</u>                 | <b>Average Unit<br/>Gas Commodity<br/>&amp; Capacity Cost<br/>(\$/dt)</b> | <b>Actual Esco<br/>Net Deliveries<br/>(dt)</b> | <b>Estimated Annual<br/>Gas Commodity<br/>&amp; Capacity Cost<br/>(\$)</b> |
|-----------------------------------------|---------------------------------------------------------------------------|------------------------------------------------|----------------------------------------------------------------------------|
| Resid Non-Heat (SC 5-1A, 5-1AR)         | \$10.72                                                                   | \$ 88,672                                      | \$ 950,878                                                                 |
| Resid Heat (SC 5-1B, 5-1BDG, 5-1BR)     | \$10.24                                                                   | \$ 2,604,163                                   | \$ 26,667,222                                                              |
| Comm General & Heat (SC 5-2A, 5-2B)     | \$10.42                                                                   | \$ 9,508,294                                   | \$ 99,069,792                                                              |
| Multi Dwelling (SC 5-3)                 | \$10.31                                                                   | \$ 2,058,300                                   | \$ 21,223,756                                                              |
| Other Firm (SC 5-807, 5-15, 5-16, 5-17) | \$10.81                                                                   | \$ 514,036                                     | \$ 5,557,856                                                               |
| <b>Total</b>                            |                                                                           | <b>\$ 14,773,466</b>                           | <b>\$ 153,469,503</b>                                                      |

**KeySpan Gas East Corporation d/b/a National Grid  
Temporary State Assessment Surcharge  
Based on Calendar Year 2008 Revenues**

|                                                                                                |       |                         |
|------------------------------------------------------------------------------------------------|-------|-------------------------|
| <b>Total Gas Operating Revenues</b>                                                            |       | <b>\$ 1,520,339,251</b> |
| <b>Adjustments</b>                                                                             |       |                         |
| Less Sales for Resale                                                                          |       | \$ (253,644,774)        |
| Less Transportation for Power Generation                                                       |       | \$ (23,322,497)         |
| Plus ESCO Revenues                                                                             |       | \$ 153,469,503          |
| Less Exempt Revenues @ \$500,000                                                               |       | \$ (500,000)            |
| <b>Total Gas Assessable Revenue Estimate</b>                                                   |       | <b>\$ 1,396,341,484</b> |
| <b>Combined 18-A General &amp; Temporary State Assessment</b>                                  | 2%    | \$ 27,926,830           |
| <b>Less Inflated Base Rate General Assessment</b>                                              |       | \$ (3,190,990)          |
| <b>Estimated Temporary State Assessment Surcharge (before Carrying Charges &amp; Bad Debt)</b> |       | <b>\$ 24,735,840</b>    |
| <b>Plus Carrying Charges</b>                                                                   |       | <b>\$ 833,628</b>       |
| <b>Plus Bad Debt Allowance</b>                                                                 |       |                         |
| Uncollectibles Allowed in Rates                                                                | 0.75% | <u>\$ 193,220</u>       |
| <b>Estimated Temporary State Assessment Surcharge</b>                                          |       | <b>\$ 25,762,688</b>    |

**KeySpan Gas East Corporation d/b/a National Grid**  
**Calculate Revenue Allocators and Determine Estimated Temporary State Assessment Surcharge for Each Service Category**

**1. Allocate 2008 Calendar Year Revenues to Service Categories**

|                                                            | <u>Gas Sales</u>        | <u>Transportation</u> | <u>Misc</u>            | <u>Estimated ESCO</u> | <u>Total</u>            | <u>Revenue Allocator</u> |
|------------------------------------------------------------|-------------------------|-----------------------|------------------------|-----------------------|-------------------------|--------------------------|
| Resid Non-Heat (SC 1A, 1AR, 5-1A, 5-1AR)                   | \$ 65,373,312           | \$ 1,037,543          | \$ (1,028,170)         | \$ 950,878            | \$ 66,333,562           | 4.7%                     |
| Resid Heat (SC 1B, 1BDG, 1BR, 5-1B, 5-1BDG, 5-1BR)         | \$ 703,427,872          | \$ 18,963,757         | \$ (11,063,286)        | \$ 26,667,222         | \$ 737,995,565          | 52.8%                    |
| Comm General & Heat (SC 2A, 2B, 5-2A, 5-2B)                | \$ 247,421,712          | \$ 48,555,033         | \$ (3,891,369)         | \$ 99,069,792         | \$ 391,155,168          | 28.0%                    |
| Multi Dwelling (SC 3, 5-3)                                 | \$ 27,433,785           | \$ 7,111,601          | \$ (431,470)           | \$ 21,223,756         | \$ 55,337,672           | 4.0%                     |
| Other Firm (SC 9, 10, 15, 16, 17, 5-807, 5-15, 5-16, 5-17) | \$ 44,584,739           | \$ 1,919,983          | \$ (701,214)           | \$ 5,557,856          | \$ 51,361,365           | 3.7%                     |
| Non-Firm (SC 4, 7, 12, 13)                                 | \$ 94,039,416           | \$ (55,755)           | \$ 674,492             | \$ -                  | \$ 94,658,153           | 6.8%                     |
| <b>Total</b>                                               | <b>\$ 1,182,280,837</b> | <b>\$ 77,532,162</b>  | <b>\$ (16,441,017)</b> | <b>\$ 153,469,503</b> | <b>\$ 1,396,841,485</b> | <b>100.0%</b>            |

**2. Allocate \$25,762,688 Estimated Temporary State Assessment Surcharge to Each Service Category Using Revenue Allocators**

|                                                            | <u>Estimated State Assessment Surcharge</u> |
|------------------------------------------------------------|---------------------------------------------|
| Resid Non-Heat (SC 1A, 1AR, 5-1A, 5-1AR)                   | \$ 1,223,425                                |
| Resid Heat (SC 1B, 1BDG, 1BR, 5-1B, 5-1BDG, 5-1BR)         | \$ 13,611,243                               |
| Comm General & Heat (SC 2A, 2B, 5-2A, 5-2B)                | \$ 7,214,282                                |
| Multi Dwelling (SC 3, 5-3)                                 | \$ 1,020,622                                |
| Other Firm (SC 9, 10, 15, 16, 17, 5-807, 5-15, 5-16, 5-17) | \$ 947,285                                  |
| Non-Firm (SC 4, 7, 12, 13)                                 | \$ 1,745,830                                |
| <b>Total</b>                                               | <b>\$ 25,762,688</b>                        |

**3. Determine Temporary State Assessment Surcharge Factor for Each Service Category**

|                                                            | <u>7/1/09 - 6/30/09</u> | <u>Estimated Thruput</u> | <u>Surcharge</u> |
|------------------------------------------------------------|-------------------------|--------------------------|------------------|
|                                                            | <u>dt</u>               | <u>\$/dt</u>             |                  |
| Resid Non-Heat (SC 1A, 1AR, 5-1A, 5-1AR)                   | 2,657,038               | \$0.4604                 |                  |
| Resid Heat (SC 1B, 1BDG, 1BR, 5-1B, 5-1BDG, 5-1BR)         | 45,685,465              | \$0.2979                 |                  |
| Comm General & Heat (SC 2A, 2B, 5-2A, 5-2B)                | 27,500,902              | \$0.2623                 |                  |
| Multi Dwelling (SC 3, 5-3)                                 | 4,024,701               | \$0.2536                 |                  |
| Other Firm (SC 9, 10, 15, 16, 17, 5-807, 5-15, 5-16, 5-17) | 3,444,281               | \$0.2750                 |                  |
| Non-Firm (SC 4, 7, 12, 13)                                 | 6,761,260               | \$0.2582                 |                  |
| <b>Total</b>                                               | <b>90,073,646</b>       |                          |                  |

**KeySpan Gas East Corporation d/b/a National Grid**  
**Bill Impact Analysis of Temporary State Assessment Surcharge**

**SC 1B Typical Residential Heating Customer**  
**Period July 1, 2009 to June 30, 2010**

|                                                                           |                        |
|---------------------------------------------------------------------------|------------------------|
| <b>Total Projected Bill (Before Temporary State Assessment Surcharge)</b> | <b>\$2,030.76</b>      |
| <b>Temporary State Assessment Surcharge</b>                               | <b>\$0.2979 per dt</b> |
| <b>Multiplied by Normal Annual Usage</b>                                  | <b>140 dt</b>          |
| <b>Annual Temporary State Assessment Surcharge</b>                        | <b>\$41.56</b>         |
| <b>With GRT @ 3.093%</b>                                                  | <b>\$42.85</b>         |
| <b>Total Bill with Temporary State Assessment Surcharge</b>               | <b>\$2,073.61</b>      |
| <b>% Increase</b>                                                         | <b>2.1%</b>            |