

nationalgrid

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January 17, 2008

Via Federal Express

Hon. Jaclyn A. Brillling, Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

Re: Case 00-G-0996 – The Matter of Criteria for Interruptible Gas Service

Dear Secretary Brillling:

Enclosed please find an original and 5 copies of the Comments of KeySpan Energy Delivery New York, KeySpan Energy Delivery Long Island and Niagara Mohawk Power Corporation d/b/a National Grid on the Commission's SAPA notice on the aforementioned matter.

Thank you for your attention to this matter.

Very truly yours,


Catherine L. Nesser

**STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

In the Matter of Criteria for Interruptible Gas Service

Case 00-G-0996

**Comments of KeySpan Energy Delivery New York, KeySpan Energy Delivery Long
Island and Niagara Mohawk Power Corporation d/b/a National Grid**

On December 5, 2007, the Commission published notice pursuant to the State Administrative Procedure Act that it was considering what changes, if any, should be made to LDC tariffs and/or interruptible customer fuel inventory requirements. The notice states that this matter is being considered as a result of the analysis and conclusions of a petroleum infrastructure study filed with the Commission in September 2006 by the New York State Energy Research and Development Authority (“NYSERDA”).

Interested persons were invited to file comments with the Secretary within 45 days of the publication of the notice. The Brooklyn Union Gas Company d/b/a KeySpan Energy Delivery New York and KeySpan Gas East Corporation d/b/a KeySpan Energy Delivery Long Island and Niagara Mohawk Power Corporation d/b/a National Grid (collectively, “National Grid” or “Companies”) submit these comments to the Commission for its consideration in this matter.

Currently, temperature controlled gas customers using distillate oil as an alternate fuel are required to maintain at least a 7-day supply in storage, while other interruptible

gas customers using distillate as the alternate fuel are required to maintain at least a 10-day supply in storage. These requirements were established by the Commission in this proceeding in its “Order Directing Utilities To File Revised Interruptible Gas Service Tariffs” (August 24, 2000), (the “August 2000 Order”). The Commission found that setting required alternate fuel inventory levels for interruptible customers was necessary to preserve the reliability and integrity of local distribution systems. (August 2000 Order at 4, 14).

The Commission has periodically reviewed these fuel inventory requirements, particularly following localized oil shortages. In its Order of November 4, 2003 in this proceeding, the Commission called for a study of the state petroleum infrastructure to determine what if any changes to utility tariffs would help to alleviate oil shortages.

The Petroleum Infrastructure Study (“Study”) was completed in September 2006 and the findings were shared with the Commission and Department of Public Service Staff, utilities, and other industry participants. With respect to the causes of periodic oil shortages, the Study concludes that gas utility service interruptions were not a factor, and that retail oil inventory levels were generally adequate. The Study attributes recent, localized oil shortages to the oil delivery network, including snow and ice that impede deliveries by truck and the lack of experienced truck drivers. (Study at pp. 104-106). While these are important insights, the discrete problems identified by the Study cannot be remedied or mitigated by changing utility tariffs. The existing rules, including the communications protocols the Commission established among local distribution companies, oil associations and NYSERDA, are working effectively. Accordingly, National Grid does not believe that the Commission should change its policies and

procedures based on the Study. The Companies' answers to the questions set forth in the Commission's notice are as follows:

1)

Q: Should the Commission's rules and regulations which are applicable to interruptible gas customers having distillate oil as their alternate fuel be expanded to include residual oil or all alternate fuel users?

A: No. In the Commission's "Order Concerning Interruptible Gas Sales and Transportation Service" issued November 4, 2003 in this proceeding (at p. 2), the Commission placed customers using alternate fuels other than distillate oil on notice that they were required to maintain adequate supplies of oil to sustain interruptions. While it declined at that time to extend the rules applicable to distillate customers to customers utilizing other alternate fuels, the Commission stated that it would do so if the situation warranted it in the future. The Companies maintain that the Commission's notice to these customers is adequate and there is no reason to extend the Commission's rules to customers using residual oil or other alternate fuel at this time.

2)

Q: Should on-site oil storage be preferred, or required, versus contract commitments/arrangements?

A: National Grid's current tariffs permit the customer to have contract commitments for replenishment of the alternate fuel in lieu of on-site storage, but reserve for each of the Companies the right to require on-site storage on a customer-by-customer basis. The Companies are confident in their ability to monitor the durability of customers' contract arrangements and believe no changes to their tariffs are necessary in this regard.

3)

Q: Should on-site oil storage requirements differ by geographical location?

A: No. National Grid believes that the existing requirements are adequate, even in light of operational differences across its service territories.

4)

Q: Should interruptible gas customers be required to burn their alternate fuel during certain specified periods during the winter months?

A: No. There is no reason to require interruptible customers to burn their alternate fuel during specified periods. Customers should be given the latitude to choose their fuel based on price and operating characteristics, and should not be unnecessarily hamstrung. At today's energy prices, such a requirement would impose a large and undue cost burden on affected customers. Moreover, given that oil has more harmful environmental emissions than natural gas, it would not serve the public welfare to mandate customers to burn oil at arbitrary periods. The Company notes there is nothing in the Study that suggests that doing so would alleviate localized shortages.

5)

Q: For new applications for interruptible gas service, should on-site oil storage be required, and if so, how much?

A: National Grid sees no basis for distinguishing new customers from existing customers. The objective behind the on-site oil requirements, *i.e.*, maintaining the integrity of the distribution system, applies to both. As stated, the Companies believe that their tariffs, which permit the customer to have on-site storage or contractual refill commitments, subject to National Grid's right to require on-site storage, are adequate to monitor customers' ability to sustain interruptions, whether they are new customers or existing customers.

6)

Q: Should the number of days of required on-site oil storage, or contracted amounts, for electric generators that burn gas on an interruptible basis be modified?

A: No. Electric generators tend to have a high degree of access to fuel markets and no modification to the requirements applicable to them is warranted.

7)

Q: Should there be regular/periodic reporting by utilities and/or the Commission of the price and inventory levels of natural gas?

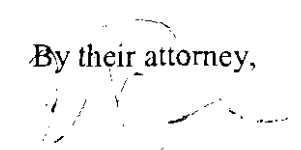
A: No. The prices and inventory levels of natural gas are already reported in numerous publications.

National Grid maintains that the Commission's existing rules and regulations regarding storage inventory levels for interruptible customers are reasonable and effective and that no changes are necessary or warranted. It appears that stricter oil inventory requirements would impose additional costs and responsibilities on interruptible customers without any corresponding benefits in improving the oil supply-demand balance or enhancing gas distribution system integrity. As the Companies noted in comments filed in April 2007, the Commission should not fix what is not broken. Accordingly, the Commission should not increase the storage requirements for interruptible customers or encumber their fuel choices further than what is prescribed in the August 2000 Order. Those rules are working effectively to preserve the value of interruptible service to all natural gas customers on the system and to the interruptible customers themselves.

Respectfully submitted,

**KeySpan Energy Delivery New York
KeySpan Energy Delivery Long Island
And
Niagara Mohawk Power Corporation
d/b/a National Grid**

By their attorney,



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