Filed Session of November 17, 2011
Approved as Recommended
and So Ordered
By the Commission

Jaclyn A. Brilling
Digitally Signed by Secretary
New York Public Service Commission

JACLYN A. BRILLING
Secretary

Issued and Effective November 18, 2011

STATE OF NEW YORK
DEPARTMENT OF PUBLIC SERVICE

November 2, 2011

TO: THE COMMISSION

FROM: OFFICE OF ELECTRIC, GAS AND WATER
- Electric and Gas Rates and Tariffs Section
- Gas Policy

SUBJECT: CASE 11-G-0411 – Filing by Brooklyn Union Gas Company d/b/a National Grid to amend and clarify the requirements and procedures for customers taking service under Service Classification Numbers 5A,6C, 6G, 6M and 18.

CASE 11-G-0412 – Filing by KeySpan Gas East Corporation d/b/a National Grid to amend and clarify the requirements and procedures for customers taking service under Service Classification Numbers 4, 7, 12, and 13.

SUMMARY OF RECOMMENDATION: Staff recommends approval with modifications of the tariff amendments listed in the Appendix.

## SUMMARY

On August 1, 2011, Brooklyn Union Gas Company d/b/a National Grid NY ("KEDNY") and KeySpan Gas East Corporation d/b/a National Grid LI ("KEDLI"), in combination (“KeySpan companies” or “the Companies”), filed amendments to their gas tariff schedules requesting to amend and clarify the requirements and procedures for KEDNY’s customers taking service under Service Classification (“SC”) Number (“No.”) 5A—Interruptible Sales Service, SC No. 6C—Temperature Control Service Commercial, SC No. 6G—Temperature Control Service Governmental, SC No. 6M—Temperature Control Service Multi-Family and SC No 18—Non-Core Transportation Service, and for KEDLI’s customers taking service under SC No. 4—Interruptible Sales Service, SC No. 7—Interruptible Transportation Service, SC No. 12—Temperature Control Service and SC No. 13—Temperature Control Transportation Service. The proposed filings have an effective date of December 1, 2011.

The filings modify the Companies' non-firm service classifications: to revise the processes regarding customer interruptions and customer notifications; to revise the customer’s responsibility for specific equipment; to clarify the application of non-compliance and unauthorized use charges; and to implement general housekeeping changes. Staff has reviewed the Companies’ proposed filings and recommends that the Commission approve them with modifications, as discussed in this memorandum.

## BACKGROUND

Most natural gas utilities in New York offer non-firm service to customers in order to maximize the utility’s system load factor and the value of the pipeline assets which are paid for by the utility’s firm ratepayers. The non-firm customer classes provide a benefit to the system because their load on the utility system generates higher utilization of the utility’s pipeline assets during off-peak times. Additionally, benefits are provided during on-peak times since these customers are interrupted to ensure reliable service to the firm service classes. Since these non-firm customers are to be interrupted at times of peak usage, in general they do not pay for peaking assets reserved for firm customers.

Non-firm customers are typically separated into two groups. The first group is called fully interruptible (“IT”) customers and they are manually interrupted during peak times when distribution pressures cannot support their demand requirement without negatively affecting the service quality of firm customers. The second group is called temperature controlled ("TC") customers and a great majority of these customers are automatically switched over to their alternate fuel based on a specific temperature.[1] Both non-firm groups are required to maintain alternate fuel capabilities and an inventory of alternate fuel.

Currently the KeySpan companies interrupt the TC customers when the outside temperature[2] drops to 15 degrees Fahrenheit ("Designated Interruption Temperature") and they are allowed back on the system when the outside temperature returns to 20 degrees Fahrenheit ("Designated Resumption Temperature"). The Designated Interruption Temperature and Designated Resumption Temperature are set prior to the beginning of the heating season[3] based on the Companies' capability to serve this non-firm load, but the Companies are permitted to adjust the temperature settings with a minimum forty-eight hour notice to customers. However, regardless of whether the Designated Interruption Temperature has been reached in any location, the Companies may, at their discretion, remotely switch over the customer's equipment to an alternate fuel in order to preserve service to firm ratepayers.

Each year the Companies perform a test to ensure that processes and systems are properly functioning and to confirm that the customers taking non-firm service are capable of switching to their alternate fuel. For the 2010-2011 heating season

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[1] As of the Companies' December 7, 2010 annual test, there were 3,414 TC customers in the Companies' service territories, of which, approximately 40 are semi-automatic and must be manually switched during interruptions. These customers are notified of an interruption by alarms located at the customer's site.

[2] Outside temperature is currently defined as the temperature measured outside of the customer's premises except that, if such information is not readily or accurately available, the Companies shall be entitled to utilize the temperature measured in the Central Park Observatory for KEDNY and Hicksville, New York, as per existing tariffs, for KEDLI.

[3] The heating season is the five-month time period from November through March.

the Companies held this annual system-wide test on December 7, 2010.[4] At that time there were 3,414 TC customers located KEDNY and KEDLI's service territories, with a vast majority located in KEDNY.

The instant tariff filings were made at the request of Staff due to the Companies' reaction to the cold weather events that occurred in 2011 over the weekend of January 21st through January 24th. Specifically, a considerable number of non-firm customers were not interrupted, per the tariff requirements, even though peaking assets were called upon to maintain system reliability during the cold weather period.

## PUBLIC NOTICE

Pursuant to the State Administrative Procedure Act (SAPA), a Notice of Proposed Rulemaking was published in the State Register on August 17, 2011. The public comment period provided for under SAPA expired on October 8, 2011 and no comments were received.[5]

Newspaper publications were made as required by the Public Service Law (PSL) and occurred on September 28, and October 5, 12, and 19, 2011.

## PROPOSED FILING

The revised tariff leaves provided by the Companies were intended to amend and clarify the interruption requirements and procedures for non-firm customers. Specifically, the Companies are proposing to modify their tariffs to: 1) further clarify the obligations for both KEDNY and KEDLI to remotely switchover the TC customers to

[4] There were 43 KEDNY and 4 KEDLI TC customers that were issued unauthorized use penalties for gas consumed during this test.

[5] On August 2, 2011, the day after the Companies filed the proposed tariff leaves, Utility Rate Analysis Consultants (URAC) filed a letter stating that it objected to the Companies' failure to identify the specific changes. The Company's proposed tariff leaves were indeed attached to its filing. Staff knows of no requirement that individual changes to existing tariffs be marked or identified in order for a tariff filing to be valid. Of course, the better practice is for companies to provide either a marked copy or a detailed index identifying the changes. In any event, a party may always ask the Company to provide such identifying information in an information request.

their alternate fuel, using the temperature at the Central Park Observatory ("Central Park") for the Designated Interruption and Resumption Temperatures, while allowing the customer's local sensors to control if colder at that location; 2) further clarify that the maintenance responsibility of all dual-fuel equipment and associated control devices, including devices owned by the Companies, falls upon the TC customer; 3) assign non-compliance and unauthorized use charges for the Companies' initiated interruption periods ; and 4) make housekeeping changes to further clarify certain other requirements and procedures.

## DISCUSSION

The Companies' tariff amendments, filed August 1, 2011, contained several revisions supported by Staff, including: 1) the Companies' requirement to initiate system-wide switching of TC customers to their alternate fuel based on the temperature of Central Park with local temperature probes being used only in the event that local temperatures are lower than Central Park; and 2) various housekeeping changes.

The Companies' clarification of their requirement to force system-wide switching of TC customers to alternate fuel based on the temperature at Central Park will result in greater TC customer compliance, avoiding a recurrence of the events that took place over the weekend of January 21, 2011 through January 24, 2011 when a large number of TC customers did not automatically switch to alternate fuel as anticipated. While the existing tariff leaves allow the Companies to utilize the temperature measured at the Central Park Observatory for KEDNY and the temperature measured at Hicksville, New York for KEDLI, for the remote interruption of their TC customers, in their filings the Companies proposed to use Central Park for both the KEDNY and KEDLI systems. The company asserts that this is reasonable since both the KEDNY and KEDLI systems are planned for and dispatched as one company based on the temperature at Central Park. Staff agrees with the Companies and supports the proposed tariff filings that allow Central Park to be used as the remote temperature location for both KEDNY and KEDLI.

Further, Staff agrees with the Companies' proposed tariff filings that continue the use of the customers' local sensors which could benefit system reliability in the event that there are geographic locations of the service territories that are colder than Central Park.

There are a few areas in which Staff disagrees with the Companies' proposed tariff revisions as filed, including: 1) the use of peaking assets to support non-firm load; 2) the Companies' proposed clarification of TC customer responsibility for utility equipment; and 3) the assignment of non-compliance and unauthorized use charges. Staff has discussed the need for further revisions with the Companies and they are in with general agreement with Staff's recommendations as discussed below.

The August 1, 2011 tariff revisions were triggered by the cold weather event over the weekend of January 21st through January 24th when a considerable number of non-firm customers were not interrupted, even though peaking assets were called upon to maintain system reliability. Throughout the discussions with the Companies about the January 2011 incident, it has been Staff's position that the Companies need to revise their tariffs and procedures regarding their use of peaking assets. During informal conversations, Company representatives did agree that non-firm customers should not be on the system when peaking assets were in use, although the Companies asserted that they required some flexibility due to the considerable amount of time required to switch all 3,414 TC customers to their alternate fuel. In addition, the Companies acknowledged that when an interruption is scheduled they should endeavor to provide the notification within 4 hours of the scheduled interruption. As a result, the Companies should file further tariff revisions incorporating language that will provide the Companies with a sufficient level of flexibility, while ensuring that non-firm customers are interrupted when peaking assets are in use, and to provide reasonable notification if possible.

As a result of the Companies' proposed clarification to the TC customer responsibilities, the Companies require TC customers to be responsible for the service, maintenance, repair and upkeep of all dual-fuel equipment and associated devices, including any control devices owned by the Companies. Staff recommends that the

Companies be required to file further tariff modifications that would require TC customers to be solely responsible for their own equipment and that would require TC customers to only be responsible for the Companies' equipment if it was damaged or tampered with by the TC customer. This is consistent with utility tariffs across the state, in that the customers should not be responsible the general operations and maintenance of utility equipment.

Lastly, the proposed tariff amendments, correctly propose that the non-compliance and unauthorized use charges should be triggered during interruptions initiated by the Companies, although they do not address non-compliance and unauthorized use charges incurred during local sensor controlled interruptions. As a result of its review, Staff discovered that if the sensor at the TC customer's location triggers an interruption then the equipment will automatically switch fuel, unless such equipment has been damaged, or the equipment has been tampered with. Therefore, Staff recommends that the tariff be modified to allow the Companies to impose the non-compliance and unauthorized use charges resulting from customer tampering.

## CONCLUSION AND RECOMMENDATION

Staff has reviewed the initial filing and discussed further revisions with the Companies to address Staff's concerns with the proposed tariff amendments. Staff is confident that the proposed revisions as discussed in this memorandum will improve interruption procedures and clarify the current interruptible customer tariffs. Furthermore, the amended tariffs will maximize system-wide reliability benefits derived from the Companies' non-firm customer classes, by assuring that these service classes are interrupted during critical situations.

It is recommended that:

1) the amendments listed in the Appendix, be authorized to become effective on December 1, 2011, provided that Brooklyn Union Gas Company d/b/a National Grid (KEDNY) and KeySpan Gas East Corporation d/b/a National Grid (KEDLI) files further tariff revisions consistent with the modifications as discussed in this memorandum,

specifically relating to the use of peaking assets, TC customer responsibilities and non-compliance and unauthorized use charges;

2) the further tariff revisions directed in Clause No. 1 above be authorized to become effective on not less than one day's notice, on a temporary basis, on December 1, 2011. The further revisions will not become effective on a permanent basis until approved by the Commission;

3) the requirement of Public Service Law §66(12) and 16 NYCRR 720.8.1 regarding newspaper publication of the further revisions directed in Clause No. 1 be waived; and

4) these cases remain open.

Respectfully submitted,

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SUBJECT:

Filing by Brooklyn Union Gas Company d/b/a National Grid NY (KEDNY)

Amendments to Schedule P.S.C. No. 1 – Gas

Original Leaves Nos. 205.1, 215.1, 227.1, 227.2
1st Revised Leaves Nos. 381.1 381.2
2nd Revised Leaves No. 203, 205, 212, 227
3rd Revised Leaves Nos. 215, 381
4th Revised Leaves Nos. 201, 210, 223
5th Revised Leaves Nos. 202, 202.1, 203.1, 211, 211.1, 224, 224.1, 225
6th Revised Leaves Nos. 177, 180.1, 213, 214
7th Revised Leaves Nos. 181, 226

Filing by KeySpan Gas East Corporation d/b/a/ National Grid NY (KEDLI)

Amendments to Schedule P.S.C. No. 1 – Gas

Original Leaves Nos. 154.4, 154.5, 154.6, 174.1, 174.2 183.1, 183.2, 183.3
1st Revised Leaves Nos. 111, 172.1
2nd Revised Leaves Nos. 64, 93,154.3
3rd Revised Leaves Nos. 173,180
4th Revised Leaves Nos. 94, 114, 173.1
5th Revised Leaves Nos. 106, 107, 133.1, 149, 154.1, 181
6th Revised Leaf No. 179
7th Revised Leaves Nos. 133, 172, 174
8th Revised Leaf No. 154.2
9th Revised Leaves Nos. 129, 129.1, 154
10th Revised Leaf No. 183
13th Revised Leaf No. 182

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S.A.P.A. 11-G-0411SP1 (KEDNY)—State Register—August 17, 2011
11-G-0412SP1 (KEDLI)—State Register—August 17, 2011

NEWSPAPER PUBLICATION: September 28, and October 5, 12, 19, 2011