STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service Commission held in the City of New York on May 22, 2002

COMMISSIONERS PRESENT:

Maureen O. Helmer, Chairman
Thomas J. Dunleavy
James D. Bennett
Leonard A. Weiss
Neal N. Galvin

CASE 99-G-1469 - Petition of The Brooklyn Union Gas Company and KeySpan Gas East Corp. for a Multi-Year Restructuring Agreement.

ORDER ADOPTING TERMS OF
GAS RESTRUCTURING JOINT PROPOSAL

(Issued and Effective May 23, 2002)

BY THE COMMISSION:

This order adopts terms jointly proposed by agreement among the active parties and set forth in a "Gas Restructuring Joint Proposal" (Joint Proposal). As a result of this order, 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 (KeySpanNY and KeySpanLI; the companies) will each take additional measures toward the transition to a competitive retail market for gas service in the KeySpan service territories. These measures are part of a continuing progression towards competition as we envisioned in our Gas Policy Statement.[1]

[1] Cases 93-G-0932 and 97-G-1380, Policy Statement Concerning the Future of the Natural Gas Industry (issued November 3, 1998).

BACKGROUND AND PROCEDURAL HISTORY

KeySpanNY serves approximately 1.2 million gas customers in New York City. KeySpanLI serves approximately 500,000 customers on Long Island. The companies are acting jointly in this restructuring proceeding. The companies filed gas rate restructuring proposals in October 1999, pursuant to directives in our Gas Policy Statement. Following extensive negotiations, the parties reached an "Interim Gas Restructuring Settlement Agreement" in October 2000, which resulted in our adoption of interim restructuring plans, including, among other measures, incentive payments to marketers to encourage them to sign up additional retail gas commodity customers. The interim restructuring plans took effect January 1, 2001, at which time the parties were to work on achieving a more permanent plan. Unfortunately, the parties were unable to reach further agreement in time for the 2001-2002 heating season, and the interim restructuring plans expired on June 30, 2001. However, the discussions continued and culminated in the Joint Proposal under review here, which is dated March 11, 2002. The active parties submitting the Joint Proposal are the companies, Staff of the Department of Public Service (Staff), the New York State Consumer Protection Board (CPB) and Small Customer Marketer Coalition (SCMC), each of which has submitted an initial statement in support. No party filed a statement in opposition.

TERMS SUBMITTED IN THE JOINT PROPOSAL

The significant proposed terms of the Joint Proposal include the following:[2]

[2] The points noted here are simply highlights of the Joint Proposal. For a complete statement of its terms, one must review the proposal itself (attached to this order).

- To maintain reliability, KeySpanNY and KeySpanLI would continue to follow a least cost gas procurement strategy, including the cost and quantity of upstream pipeline capacity, as necessary to meet their obligations.

- To ensure that therm factors developed by KeySpanNY for billing customers are accurate, KeySpanNY would purchase a gas chromatograph and analyze gas samples for therm content.

- To ensure that independent marketers can compete with the companies in making gas commodity sales directly to customers, without the marketer's customers subsidizing utility merchant function costs, the companies would establish merchant function backout credits in the amount of $0.21 per dth for KeySpanNY and $0.19 per dth for KeySpanLI.

- To protect shareholders from unavoidable transition costs, the Joint Proposal would establish an amount of projected avoided costs at certain migration levels and a lost revenue recovery mechanism.

- To reduce the transaction costs of independent marketers in acquiring new customers, the companies would establish an internet webpage-based marketing program that would allow customers to choose to receive solicitations from marketers.

- To gauge the companies' efforts in promoting competition, they would continue to conduct marketer satisfaction surveys.

- To promote retail migration, the companies would initiate efforts to redesign their customer bill formats to separately identify delivery, gas, merchant and billing charges and associated taxes so that customers may more readily comparison shop for such services.

- To further promote retail migration, the companies would expand their customer outreach and education programs regarding competitive gas service offerings, and the parties would develop measures to test the efficacy of the programs.

- To help marketers and transportation customers manage their supplies, KeySpanLI would implement daily delivery balancing options as part of its transportation service.

- To improve other customers' opportunities to share in the benefits of retail access, the parties would be committed to considering the development of a KeySpanNY low-income purchase aggregation program and a "cooking only/non-heating" customer migration program, if proposed by any party.

- To take advantage of the benefits of a U.S. Government initiative, KeySpanNY would implement a program to "stream" discounted gas to low-income customers.

STATEMENTS IN SUPPORT

KeySpanNY and KeySpanLI

KeySpanNY and KeySpanLI note that the Joint Proposal provides a resolution to various restructuring issues that were difficult for the parties to settle, representing many months of analysis, debate and negotiation among parties representing numerous stakeholders in the restructuring process. According to the companies, it required concessions on the part of all parties and provides benefits to all of those stakeholders, while at the same time furthering the goals of developing the competitive energy market that the Commission set forth in the Gas Policy Statement.

The companies believe that the core of the Joint Proposal is the enhancements to competition, including particularly, the merchant function backout credit that will provide customers who choose to purchase their gas commodity supply from an independent gas marketer a direct, per dekatherm, monetary benefit. The credit would be shown on the transportation service bill and be described in a separate bill message, enabling customers to see the clear price signal of that benefit. In addition, the potential credit would be described on the bills of sales customers so that they can see the amount of the credit they could realize if they purchased their commodity from a non-utility supplier. In that way, customers will be better able to determine whether it is in their interest to enter the competitive marketplace to purchase the commodity.

According to the companies, the merchant function backout credit provides independent gas marketers with a definitive point of comparison they can use to market their services to potential and existing customers. It also provides independent gas marketers with a certain amount of "head room" as they set their prices so that they can more effectively compete against the utility's cost of gas. By providing some measure of certainty through implementation of the credit on a per dekatherm basis, the companies believe that the merchant function backout credit may encourage independent gas marketers to offer their services to more customers.

The companies believe that the additional competition enhancements agreed upon in the Joint Proposal will further strengthen the competitive energy marketplace. The outreach and education program, bill messages regarding the merchant function backout credit, website marketing program and bill format initiative will all contribute to providing additional information to customers to assist in the comparison of service offerings so as to ensure better informed choices. According to the companies, allowing them the recovery of lost revenues minimizes their financial risk in promoting competition to the extent possible.

KeySpanNY and KeySpanLI request that one deadline set forth in the Joint Proposal be slightly modified. They ask that the deadline of June 2002 for the conduct of the marketer satisfaction survey be extended. The companies state that they had anticipated a May 1 implementation date for the terms of the Joint Proposal when they agreed to the June 2002 deadline, but that implementation would now likely not be until June 1, creating a potential logistical problem with complying with the deadline.

Staff

Staff recommends that the overall package of the Joint Proposal be approved as it is in the public interest and moves towards the Commission's vision described in our Gas Policy Statement. Staff justifies its recommendation by citing the following "key factors":

- continued reliability by following a least cost gas procurement strategy and implementation of a therm billing accuracy assessment program;
- enhancements to competition in the retail gas through merchant function backout credits, a website marketing program, and a marketer satisfaction survey;
- a framework for the development of new unbundled bill formats and daily balancing options;
- the potential for a program to promote the migration of cooking-only customers;
- a comprehensive outreach and education plan;
- enhanced opportunities for low income customers; and
- the agreement of normally adversarial parties to a reasonable result.

Consumer Protection Board

CPB supports the Joint Proposal based on its review of the natural gas operations of the companies, discussions during collaborative negotiations and information presented by the parties. CPB believes that the terms of the Joint Proposal provide many significant benefits to ratepayers and are in the public interest in that the Joint Proposal reasonably balances the interest of ratepayers, independent gas marketers and public utility investors; would help ensure that safety and reliability are not compromised; would expand competitive opportunities for consumers; would improve customer awareness of retail competition and help ensure that consumers have information they need to make informed decisions; and would provide opportunities for less affluent New Yorkers to realize energy savings from competitive energy service providers. CPB supports the recovery of lost revenues component and methodology as reasonable within the context of the overall agreement and administratively efficient.

Small Customer Marketer Coalition (SCMC)

SCMC requests that the terms of the Joint Proposal be approved in their entirety. SCMC believes that the Joint Proposal represents a reasonable adjudication of the issues raised in this proceeding, provides adequate relief to all interested parties, and in all important respects serves the public interest.

DISCUSSION

We find that the adoption of the terms of the Joint Proposal would satisfy the Public Service Law (PSL) requirement of providing safe and adequate service at just and reasonable rates. The terms would also achieve a fair balancing of interests among the parties and the companies' customers, and move constructively toward competitive markets. More specifically, these conclusions are justified by the public benefits inherent in adoption of the Joint Proposal's provisions listed above, which would serve a variety of objectives consistent with the public interest and our regulatory objectives.

While these measures move the companies another step forward toward competitive gas markets, implementation of new bill formats and rate unbundling remain as important unfinished tasks that are critical to further progress. The companies should re-examine their efforts in regard to those tasks and ensure that they are dedicating the resources necessary to accomplish them in a reasonable manner.

The requested extension of the deadline for the conduct of the marketer satisfaction survey is reasonable under the circumstances and does not impact the substance of the Joint Proposal. Therefore, a one-month extension is granted.

CONCLUSION

For the reasons stated, we find that our adoption of the Joint Proposal's provisions will serve the public interest and satisfy our statutory obligation to ensure safe and adequate service at just and reasonable rates pursuant to PSL §66. We therefore will direct the companies to file tariff revisions consistent with this finding.

The Commission orders:

1. Subject to the foregoing discussion and minor deadline modification, the terms of the Gas Restructuring Joint Proposal dated March 11, 2002 are adopted in their entirety and are incorporated as part of this order.

2. 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 (the companies) are authorized to file on not less than one day's notice, to take effect on or after June 1, 2002 on a temporary basis, such further tariff changes as are necessary to effectuate the provisions adopted in this order. The companies shall serve copies of their filings upon all parties to these proceedings. Any comments on the compliance filings must be received at the Commission's offices within ten days of service of the companies' proposed amendments. The amendments specified in the compliance filing

shall not become effective on a permanent basis until approved by the Commission and will be subject to refund if any showing is made that the revisions are not in compliance with this order. The requirements of §66(12)(b) of the Public Service Law that newspaper publication be completed prior to the effective date of the proposed amendments is waived, provided that the companies shall file with the Commission, not later than six weeks following the amendments' effective date, proof that a notice to the public of the changes proposed by the amendments and their effective date has been published once a week for four successive weeks in newspapers having general circulation in the areas affected by the amendments.

3. The proceeding is continued.

By the Commission,

(SIGNED) JANET HAND DEIXLER
Secretary

ATTACHMENT

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

CASE 99-G-1469 - Petition of The Brooklyn Union Gas Company and KeySpan Gas East Corp. for a multi-year restructuring agreement.

GAS RESTRUCTURING JOINT PROPOSAL

March 11, 2002

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GAS RESTRUCTURING
JOINT PROPOSAL

This Gas Restructuring Joint Proposal (Joint Proposal) is made the 11th day of March, 2002, by and among The Brooklyn Union Gas Company d/b/a KeySpan Energy Delivery New York (KeySpanNY), KeySpan Gas East Corporation d/b/a KeySpan Energy Delivery Long Island (KeySpanLI) (collectively, the Companies), the Staff of the Department of Public Service (Staff), and such other parties as have executed a signature page appended hereto (individually referred to herein as a Signatory Party, and collectively referred to herein as the "Signatory Parties").

I. BACKGROUND

On October 18, 1999, KeySpanNY and KeySpanLI filed with the New York State Public Service Commission (Commission) a Joint Restructuring Proposal intended to comply with the requirements of the Commission's Policy Statement Concerning the Future of the Natural Gas Industry in New York State and Order Terminating Capacity Assignment issued November 3, 1998. The Commission adopted, with modification, the terms of an Interim Gas Restructuring Settlement Agreement by Orders issued December 26, 2000. The Commission also directed the parties to continue to meet to address, principally, the establishment of a multi-year plan that included the development of cost-based merchant backout rates.

Negotiations were conducted between February 2001 and February 2002. This Joint Proposal is now feasible because, after thorough investigation and discussion, the Signatory

Parties hereto believe that this Joint Proposal will further the objective of giving fair consideration to the interests of customers and shareholders alike in assuring the provision of safe and adequate service at just and reasonable rates.

II. DEFINITIONS

"Implementation Date" means the first day of the first month following the effective date of the Commission order approving the terms of this Joint Proposal.

"Merchant Function Backout Credit" represents an estimate of the costs KeySpanNY and KeySpanLI could avoid incurring when customers migrate from gas commodity service provided by KeySpanNY or KeySpanLI to that provided by non-utility gas suppliers.

"Joint Proposal Period" means the period commencing on the Implementation Date and ending on November 30, 2003.

"Migration" means the switching of a customer's gas commodity service from that provided by KeySpanNY or KeySpanLI to that provided by a non-utility gas supplier, measured by volume.

"TBA" means the Transition Balancing Accounts established as described in this Joint Proposal.

III. GENERAL PROVISIONS

1. It is understood that each provision of this Joint Proposal is in consideration and support of all the other provisions and each provision is expressly conditioned upon acceptance by the Commission of this Joint Proposal in its entirety without change. If the

Commission fails to adopt the terms of this Joint Proposal without change, then the Signatory Parties to this Joint Proposal shall be free to pursue their respective positions in this proceeding without prejudice.

2. The terms and conditions of this Joint Proposal apply solely to, and are binding on each Signatory Party only in the context of, the purposes and results of this Joint Proposal. None of the terms and provisions of this Joint Proposal, nor any methodology or principle utilized herein, and none of the positions taken herein by any Signatory Party may be referred to, cited or relied upon by any other Signatory Party in any fashion as precedent or in any other proceedings before the Commission, or any other regulatory agency, or before any court of law for any purpose except in furtherance of the purposes and results of the Joint Proposal.

3. The Signatory Parties agree to submit this Joint Proposal to the Commission along with a request that the Commission expeditiously adopt the terms of this Joint Proposal as set forth herein.

4. The Signatory Parties recognize that certain provisions of this Joint Proposal require that actions be taken in the future to effectuate fully this Joint Proposal. Accordingly, the Signatory Parties agree to cooperate with each other in good faith in taking such actions.

5. The Signatory Parties agree that KeySpanNY and KeySpanLI will file tariffs in a manner consistent with the terms of this Joint Proposal.

6. In the event of any disagreement over the interpretation of this Joint Proposal or implementation of any of the provisions of this Joint Proposal, which cannot be resolved informally among the Signatory Parties, such disagreement shall be resolved in the following manner: (a) the Signatory Parties may convene a conference and in good faith attempt to resolve

any such disagreement; and (b) if any such disagreement cannot be resolved by the Signatory Parties, any Signatory Party may petition the Commission for resolution of the disputed matter.

7. This Joint Proposal is being executed in counterpart originals, and shall be binding on each Signatory Party.

8. Nothing in this Joint Proposal shall prohibit the Commission (upon its own motion or upon motion of a Signatory Party) from exercising its ongoing statutory authority to act on the level of KeySpanNY's or KeySpanLI's gas rates in the event of unforeseen circumstances that, in the Commission's judgment, have such a substantial impact on the rate of return as to render the return on the common equity devoted to KeySpanNY's or KeySpanLI's gas operations unreasonable, unnecessary, or inadequate for the provision of safe and adequate service.

IV. SPECIFIC PROVISIONS

A. Reliability and Quality of Gas Service

1. Upstream Gas Costs

The Signatory Parties agree that nothing in this Joint Proposal alters the existing responsibility of KeySpanNY and KeySpanLI, during the Joint Proposal Period, to follow a least cost gas procurement strategy, including the cost and quantity of upstream pipeline capacity, as necessary to meet their sales and reliability obligations.

2. Therm Billing Accuracy Assessment Program

KeySpanNY will conduct a program to sample the heat content of gas delivered within its therm billing zones. The purpose of the program is to examine whether the therm factors developed by KeySpanNY for billing customers are reasonably accurate. Currently the therm-billing factors are derived from gate station flow data and estimations of therm values at gate stations located within the KeySpanNY territory, but there is no testing of gas within zones to validate the billing factors used.

KeySpanNY will use a gas chromatograph to analyze samples of gas taken from KeySpanNY's newly created Therm Zone 8 for comparison to its current billing factors. A gas chromatograph will be purchased and installed at an estimated cost of $150,000, the actual cost of which will be recovered from KeySpanNY's TBA.

Staff and KeySpanNY will cooperatively develop an implementation plan for this program within 60 days after the Implementation Date. The plan will include the location on the distribution system where the gas samples will be taken, the frequency of sampling, and a plan for data analysis and reporting. Staff will have the opportunity to inspect the gas measurement equipment and monitor the gas sampling procedures performed.

B. Competition Enhancements

1. Backout Credits - Merchant Function

The Signatory Parties agree that, effective upon the Implementation Date and continuing throughout the Joint Proposal Period, a Merchant Function Backout Credit of $0.21/dth and $0.19/dth will be in effect for KeySpanNY and KeySpanLI, respectively. The Merchant Function Backout Credit will be included in the Transportation Adjustment Clause (TAC) shown on the delivery bill of all firm customers that receive their gas from a non-utility gas supplier. In addition, KeySpan NY and KeySpan LI will include on each of those customers' bills a message describing, and giving the per therm amount of, the Merchant Function Backout

Credit included in the TAC. KeySpanNY and KeySpanLI also will include on the sales customers' bills a message describing, and giving the per therm amount of, the Merchant Function Backout Credit that could be realized if those customers purchased their gas from a non-utility supplier. The actual bill messages will be drafted by KeySpanNY and KeySpanLI and circulated to Staff for review and written approval prior to implementation.

The Signatory Parties agree that during the Joint Proposal Period KeySpanNY and KeySpanLI will recover from their respective TBAs an amount equal to the lost revenues due to the Merchant Function Backout Credits, less the amount of projected avoided costs described below. Actual recovery shall occur monthly based on the Companies' projections, subject to the reconciliation described in Section IV.C.

The Merchant Function Backout Credits are based on the following factors: Various parties believe that certain costs included in base rates should be allocated only to firm sales customers because they believe that the Companies do not incur such costs when they provide firm transportation service, or that the Companies, at some time in the future, may be able to reduce or avoid such costs (e.g., the uncollectible expense associated with the cost of gas, working capital costs associated with storage gas used for firm sales customers, and certain gas supply procurement function costs). The Signatory Parties believe that there are cost and other bases for using the Merchant Function Backout Credits in the manner agreed to in this Joint Proposal, and, in an effort to resolve the issues, after negotiations, have agreed to the Merchant Function Backout Credits.

2. Projected Avoided Costs

KeySpanNY		KeySpanLI	
Migration % (dth)	**Avoided Costs**	**Migration % (dth)**	**Avoided Costs**
22 or less	**$ 0**	**17 or less**	**$ 0**
23	**$ 76,000**	**18**	**$ 24,000**
24	**$152,000**	**19**	**$ 48,000**
25	**$228,000**	**20**	**$ 72,000**
26	**$305,000**	**21**	**$ 95,000**
27	**$381,000**	**22**	**$119,000**
28	**$477,000**	**23**	**$147,000**
29	**$572,000**	**24**	**$175,000**
30	**$668,000**	**25**	**$203,000**
31	**$764,000**	**26**	**$231,000**
32 or greater	**$860,000**	**27 or greater**	**$259,000**

To calculate the projected avoided costs from the Implementation Date through November 30, 2002, the applicable percent Migration will be calculated as of August 1, 2002. To calculate the projected avoided costs for the period December 1, 2002 through November 30, 2003, the applicable percent Migration will be calculated as of August 1, 2003. For each calculation, the Migration percentage will be determined by dividing the weather normalized annualized transportation volumes for all firm service rate classes at August 1, by the weather normalized annualized total sales and transportation volumes for all firm service rate classes at August 1. The result will be rounded to the nearest whole number. A report of the results, including raw results and computations, will be filed with the Commission for informational purposes and made available to the Signatory Parties not later than November 1 following the applicable August 1 calculation. Any disagreements about the calculations that cannot be resolved by the Signatory Parties shall be referred to the Commission for resolution. In the event that the annual figures shown in the table above must be applied to a period that is less than twelve months, the figures shown in the table above shall be pro-rated to the lesser period based on total gas usage for the lesser period compared to total gas usage for the twelve months ending on the last day of the lesser period.

3. Unbundling Proceeding

If the unbundling phase of Case 00-M-0504 is completed prior to November 30, 2003, the Signatory Parties agree to meet to discuss how to implement any changes, if necessary. Such changes may include, but are not limited to, replacing the backout credit and lost revenue recovery mechanism with a fully unbundled tariff, and the design of customer bill formats. If the Signatory Parties cannot reach agreement on necessary changes, any Signatory Party may petition the Commission for resolution of any of the issues raised by the unbundling proceeding that relate to this Joint Proposal.

4. Cooking-only/Non-Heating Program

The parties discussed the development of a program to specifically facilitate the Migration of cooking-only/non-heating customers to a non-utility supplier and for marketers to actively pursue such customers. The Signatory Parties agree to hold further collaborative discussions to address this issue if any party submits a written proposal to implement such a program. Such discussions will commence within 60 days after receipt of the proposal.

5. Website Marketing Program

The Companies will modify their website(s) by creating new webpage(s) to permit customers to seek offers from participating gas marketers. Any natural gas marketer eligible to serve customers in the Companies' service territories may participate in this program, at no charge. Under the initial phase of the program, customers will provide their name and address on specially designed webpage(s) and will select the participating marketers from which they wish to receive offers. The marketers selected by the customer will receive the name, address, and contact information about the customer. Marketers may then contact the customer independent of the Keyspan website(s). As soon as practicable after the Implementation Date, the Companies will, as a means to verify that the customer submitting his/her name and address is in fact that customer, develop a field to receive the customer's account number in the webpage. The customer's account number will in no way be forwarded to any marketer. If the Companies receive complaints from customers that their names have been provided to marketers, the Companies will promptly notify the Signatory Parties to discuss possible modifications to the program.

In the later phase of the program, as and when the Companies develop the customer system capability to do so, the Companies also will provide to the marketers the customer's consumption profile statement without the customer's account number. Actual costs for approved activities as described above to implement this program that are incremental, verifiable, reasonable and approved by the Commission in the annual reconciliation filings described in Section IV.C. will be recovered by KeySpanNY and KeySpanLI from their respective TBAs.

6. Marketer Satisfaction Survey

During the Joint Proposal Period, the Companies will perform, using an independent third party, annual surveys designed to evaluate marketer satisfaction in each of the service territories. Staff will have input into selection of the independent third party. Such surveys will be conducted in June 2002 and April 2003. The survey to be used for this purpose is attached hereto as Appendix A. The survey and survey results shall be public, not proprietary, information. The costs of performing the survey will be recoverable from the TBAs.

A report of all survey results, including raw results and computations, will be filed with the Commission for informational purposes and made available to the Signatory Parties not later than two months after the survey is taken. The Companies will also include in the report their plans to address marketer concerns, if necessary, that are expressed in the survey.

7. Bill Format

The Signatory Parties agree that no later than 60 days after a Commission Order approving the terms of this Joint Proposal is issued, KeySpanNY and KeySpanLI will submit to the Signatory Parties proposed customer bill formats (sample bills) for both sales and transportation customers. The sales customer bill will to the extent practicable separately identify delivery, gas, merchant, and billing charges and associated taxes. The transportation customer bill will to the extent practicable separately identify delivery charges and associated taxes. The delivery component of the bill for a sales customer will to the extent practicable be identical to that of a transportation customer. Any amount now included in the gas adjustment clause portion of the sales bill for an item that is also included in the transportation adjustment clause portion of the transportation bill will to the extent practicable be made a sub-component of the delivery portion of both sales and transportation bills. At the time of submitting the proposed bill formats, KeySpanNY and KeySpanLI will also submit proposed schedules for making the system changes necessary to incorporate the new bill formats. Any clarifications needed in designing new bill formats will be raised and resolved by the Signatory Parties. All incremental, verifiable, reasonable, and approved costs of implementing the new bill formats will be recovered from the TBAs. If the Signatory Parties cannot reach agreement as to bill formats or implementation schedules, any Signatory Party has the right to request the Commission to require such bill formats or implementation schedules as it may desire.

8. Outreach & Education Regarding Gas Retail Access

The Signatory Parties agree that commencing on the Implementation Date, and continuing throughout the Joint Proposal Period, KeySpanNY and KeySpanLI will conduct a gas retail access outreach and education program ("O&E Program") designed to increase customer awareness and understanding of gas retail choice and empower customers to make educated energy purchasing decisions. An annual customer survey will be conducted no later than November 30, 2002 and November 30, 2003.

(a) Awareness Component

The O&E Program will be designed to increase the awareness and understanding of residential customers (including "cooking-only" customers) and small commercial customers regarding the following concepts and messages:

-- choice of natural gas supplier is available;

-- KeySpanNY and KeySpanLI endorse competition;

-- safety, reliability, and utility customer service are not affected if one switches;

-- KeySpanNY and KeySpanLI will continue to provide emergency services to customers regardless of commodity supplier chosen;

-- KeySpanNY and KeySpanLI will not discriminate against customers who buy their commodity from another supplier; and

-- how to make competitive choices and switch gas suppliers.

Implementation of the customer education component will be flexible so that adjustments can be made as research is done, market changes occur, and experience indicates that changes are required. KeySpanNY and KeySpanLI will seek the input of the Signatory Parties into the development of KeySpanNY's and KeySpanLI's methods and strategies to increase awareness and understanding. As part of the existing annual outreach and education reporting process with Staff, KeySpanNY and KeySpanLI will submit to Staff for its review the Companies' annual plans to increase customer awareness and understanding of gas retail choice. The retail choice plan will include a description of the messages, methods of communication, educational materials, and how survey information was incorporated into the budget.

Actual costs for approved activities as described above to implement this program, that are incremental, verifiable, reasonable, and approved by the Commission in the annual reconciliation filings described in Section IV.C, up to a maximum of $2 million ($1.3 million for KeySpanNY and $0.7 million for KeySpanLI) over the Joint Proposal Period, will be recovered by KeySpanNY and KeySpanLI from their respective TBAs. The O&E Program will supplement and not supplant existing customer education activities conducted by KeySpanNY and KeySpanLI. The O&E program will be coordinated with KeySpanNY's and KeySpanLI's other outreach and education programs.

(b) Evaluation Component

The evaluation component is to provide for the periodic measurement and tracking of levels of customer awareness and understanding of the concepts and messages described above, and to test the effectiveness of particular methods and strategies to increase awareness and understanding. It is also to be used to determine the level of, and reasons for, customer interest/disinterest in learning more about migration to a non-utility gas supplier.

During the Joint Proposal Period, KeySpanNY and KeySpanLI will continue to conduct annual surveys to track residential and commercial customer awareness and understanding of, and interest in, gas competitive opportunities in KeySpanNY's and KeySpanLI's service territories. In implementing the tracking process the Companies will use the survey instruments it developed to establish the baseline awareness and understanding levels in January 2001. The survey and survey results shall be public, not proprietary, information.

A report of all survey results, including raw results and computations, will be filed with the Commission for informational purposes and made available to the Signatory Parties not later than two months after the survey is completed.

C. Transition Balancing Accounts

The Signatory Parties agree that the TBAs established separately for KeySpanNY and KeySpanLI by Commission Order dated December 26, 2000 shall be continued and the balances in the TBAs as of the Implementation Date, plus interest as described below, will be available for use in the Joint Proposal Period. The Signatory Parties agree that the recovery of certain allowed costs further described elsewhere in this Joint Proposal, including therm measurement equipment purchase costs, reimbursement costs for lost revenues due to Merchant Function Backout Credits (less projected avoided costs), website development costs, billing proposal costs, and O&E Program costs, will be funded through the TBAs.

On a quarterly basis, KeySpanNY and KeySpanLI will calculate the initial balances, the amount of funds added to the respective TBAs and the allowed costs to be recovered from the respective TBAs for the Joint Proposal Period. A report of the results, including raw results and computations, will be made available to Staff and filed with the Commission for informational purposes. On an annual basis, KeySpan NY and KeySpan LI will file with the Commission for approval a reconciliation statement showing all of the funds added to the respective TBAs and allowed costs recovered from the respective TBAs during that annual period. The allowed costs can be funded out of the TBAs prior to making the annual reconciliation filings, but the actual resolution of the costs will not be finalized until after the Commission rules on the annual reconciliation filings. Any disagreements about KeySpanNY's and KeySpanLI's calculations that cannot be resolved by the Signatory Parties shall be referred to the Commission for resolution.

The TBAs will be funded from the following sources:

a) The balance, with interest, from the TBAs established by Commission Order dated December 26, 2000.

b) The customers' portion of actual property tax refunds realized by KeySpanNY regarding the assessed value of KeySpanNY's special franchise property, to

KeySpanNY's TBA.

c) Actual late payment charges realized by KeySpanLI from residential accounts in arrears during the Joint Proposal Period, to KeySpanLI's TBA.

d) Annual savings during the Joint Proposal Period due to cost reductions associated with changes in the meter testing program of $1,365,000 to KeySpanNY's TBA and $531,000 to KeySpanLI's TBA, not subject to true-up.

e) Any monies due to ratepayers during the Joint Proposal Period that may arise out of a Joint Proposal or Commission action in Case 98-G-0179, <u>Proceeding on Motion of the Commission as to the Rates, Rules, and Regulations of The Brooklyn Union Gas Company as They Pertain to the Negotiated Gas Sales and Transportation Contract Between The Brooklyn Union Gas Company and KIAC Partners</u>, to KeySpanNY's TBA.

f) Earnings due ratepayers in excess of the threshold returns on equity specified in the rate plans of KeySpan NY and KeySpan LI, approved by the Commission in Case 97-M-0567, Order Adopting Terms of Settlement Agreement Subject to Conditions and Changes (Feb. 5, 1998).

g) Amounts related to the provision of transportation service that otherwise would be refunded to sales customers through the annual GAC reconciliation for the year ended August 31, 2000. This amount is $557,000, to KeySpanNY's TBA.

The following items will be reimbursed from the TBAs. In all instances, the costs, to be reimbursed from the TBA, must be incremental, actual, verifiable and reasonable.

a) Including amounts spent on approved projects, up to $12,030,000, to upgrade computer and other systems incurred through the end of calendar year 2003 to facilitate retail access and competition. The Companies will include in the quarterly informational filings and in the annual reconciliation filings described above categorized cost summaries to justify the spending, organized according to the following five computer projects: Electronic Data Interface (including Electronic Bulletin Board), Virtual Customer Care, Single Bill Option, Enhanced Transportation, and Calculation and Rates. KeySpan NY and KeySpan LI will continue their special cost accounting mechanisms to accumulate the costs for each of the five projects, and KeySpan NY and KeySpan LI will provide project budget sheets for each of the five projects. Recovery shall be limited to work within the "Scope of Work" set forth in Appendix B attached hereto and made a part of this Joint Proposal. Recovery of additional incremental, verifiable, and reasonable expenditures to upgrade computer and other systems incurred during the Joint Proposal Period for work outside of the Scope of Work set forth in Appendix B, but to facilitate retail access and competition shall be considered by the Commission upon a showing that such additional expenditures were incurred as a result of an increase in the scope of work, necessary to facilitate retail access and competition, beyond that contemplated in the Scope of Work set forth in Appendix B.

b) Net lost revenues associated with the implementation of the merchant backout credits (Sec IV.B.1 and 2).

c) A gas chromatograph at an estimated cost of $150,000 (Sec. IV.A.2).

d) Website marketing program implementation costs (Sec. IV.B.5).

e) Marketer Satisfaction Surveys (Sec. IV.B.6).

f) Bill format modifications (Sec. IV.B.7).

g) Outreach & Education program costs concerning retail access (Sec. IV.B.8).

KeySpanNY and KeySpanLI will apply interest on a monthly basis to all deferred credit and debit balances until they are reflected in rates, either directly or through amortization. The interest rate to be applied to these booked amounts will be the rate at which KeySpanNY and KeySpanLI respectively accrue an allowance for funds used during construction. At the end of the Joint Proposal Period, the disposition of any balance remaining in the TBAs will be made in a manner to be determined by the Commission.

If, during the Joint Proposal Period, KeySpan NY and KeySpan LI determine that the TBAs are or will become insufficient, they will notify the Signatory Parties and the parties will meet expeditiously to resolve the insufficiency issue.

D. **KeySpanNY Low-Income Streaming Program**

The Signatory Parties agree that effective as soon as practicable, KeySpanNY will implement a low-income streaming program to take advantage of discounted gas available from producers in-lieu of paying lease tract royalties directly to the U.S. Government. The program will be available to all customers eligible under the U.S. Government program.

E. KeySpanNY Low-Income Aggregation Program

The parties will meet to discuss the establishment of a low-income aggregation program, if such a program is proposed in writing in this proceeding, within 60 days after receipt of the proposal. If the Signatory Parties cannot reach agreement, any Signatory Party has the right to request the Commission to require such a program.

F. Daily Balancing

As soon as practicable, and no later than 30 days after the Implementation Date, KeySpanLI will file tariff leaves to implement a daily balancing program for Interruptible Transportation Customers.

V. STATE ENVIRONMENTAL QUALITY REVIEW ACT COMPLIANCE

The Signatory Parties agree that the Supplemental Environmental Assessment Form (Supplemental EAF) attached hereto as Appendix C and made a part of this Joint Proposal accurately describes the potential environmental impacts, if any, that could result from implementation of the terms of this Joint Proposal, and that the Commission's determination of significance regarding this Joint Proposal should be the adoption of a negative declaration.

Agreed to this 20th day of March, 2002.

The Brooklyn Union Gas Company

By:
Name: SUSAN FLECK
Title: VICE PRESIDENT
NYC GAS OPERATIONS

KeySpan Gas East Corp.

By:
Name:
Title: VP + CFO

Agreed to this 11th day of March, 2002.

Staff of the New York State
Department of Public Service

By: Paul Agresta

Name: PAUL AGRESTA
Title: Assistant Counsel

Agreed to this 13th day of March, 2002.

By: ______________________

Name: May M. Chao

Title: Chairperson and Executive Director

New York State Consumer Protection Board

Agreed to this 18th day of March, 2002.

SMALL CUSTOMER MARKETER COALITION

By: Usher Fogel
Name: Usher Fogel
Title: Counsel

APPENDIX A

MARKETER SATISFACTION SURVEY

1. How satisfied are you with the **ability of KeySpan Energy Delivery's Retail Access Coordinator to *provide information***?

Not at All Satisfied	Not Very Satisfied	Somewhat Satisfied	Satisfied	Completely Satisfied

2. How satisfied are you with the **ability of KeySpan Energy Delivery's Retail Access Coordinator to *solve problems***?

Not at All Satisfied	Not Very Satisfied	Somewhat Satisfied	Satisfied	Completely Satisfied

3. How satisfied are you with the ***responsiveness* of KeySpan Energy Delivery's Retail Access Coordinator?**

Not at All Satisfied	Not Very Satisfied	Somewhat Satisfied	Satisfied	Completely Satisfied

4. How satisfied are you with the ***accessibility* of KeySpan Energy Delivery's Retail Access Coordinator?**

Not at All Satisfied	Not Very Satisfied	Somewhat Satisfied	Satisfied	Completely Satisfied

5. How satisfied are you with **KeySpan Energy Delivery's *ability to reconcile accounts with your (the marketer's) customers*?**

Not at All Satisfied	Not Very Satisfied	Somewhat Satisfied	Satisfied	Completely Satisfied

6. How satisfied are you with **KeySpan Energy Delivery's performance in providing you with the following *RESIDENTIAL and SMALL COMMERCIAL* customer information?**

	Not at All Satisfied	Not Very Satisfied	Somewhat Satisfied	Satisfied	Completely Satisfied
A) Billing Information	1	2	3	4	5
B) Meter Readings	1	2	3	4	5
C) Customer Imbalance	1	2	3	4	5
D) Monthly Delivery of Data	1	2	3	4	5

7. How satisfied are you with **KeySpan Energy Delivery's performance in following *communications* areas?**

	Not at All Satisfied	Not Very Satisfied	Somewhat Satisfied	Satisfied	Completely Satisfied
A) Meetings with ESCOs	1	2	3	4	5
B) Dispute Resolution	1	2	3	4	5
C) Access to Operations Staff	1	2	3	4	5
D) GTOP Manual Application	1	2	3	4	5
E) Daily Gas Flow Communications	1	2	3	4	5
F) Daily Nomination Schedule	1	2	3	4	5
G) System Alerts/Operational Flows	1	2	3	4	5
H) Short Term Curtailment Orders	1	2	3	4	5

8. How satisfied are you with **KeySpan Energy Delivery's performance in following *customer enrollment* areas?**

	Not at All Satisfied	Not Very Satisfied	Somewhat Satisfied	Satisfied	Completely Satisfied
A) Provision of projected delivery Profile	1	2	3	4	5
B) Switches occur on the first of the Month	1	2	3	4	5
C) Customer notices 10 days before Switches	1	2	3	4	5
D) Final meter readings and billings	1	2	3	4	5

9. Approximately how many ***Residential*** **Natural Gas** Customers do you supply in KeySpan Energy Delivery 's territory? _________

A) If greater than 0, what is the ***Total Residential Annualized Load*** in KeySpan Energy Delivery 's territory? _________

10. Approximately how many ***Commercial*** **Natural Gas** Customers do you supply in KeySpan Energy Delivery 's territory? _________

B) If greater than 0, what is the ***Total Commercial Annualized Load*** in KeySpan Energy Delivery 's territory? _________

11. How many years would you say that your company has been *supplying natural gas to* ***residentia****l customers* in KeySpan Energy Delivery's territory?
    1) 1 Year or Less
    2) More than 1 year to 3 years
    3) More than 3 years 6 years
    4) More than 6 years
    5) My company does not supply those customers in KeySpan Energy Delivery's territory

12. How many years would you say that your company has been *supplying natural gas to commercial customers* in KeySpan Energy Delivery's territory?
    1) 1 Year or Less
    2) More than 1 year to 3 years
    3) More than 3 years 6 years
    4) More than 6 years
    5) My company does not supply those customers in KeySpan Energy Delivery's territory

13. Please use this space for your comments concerning anything that you would like to bring to the attention of the Department of Public Service and to further explain any areas of dissatisfaction reflected in your survey response.

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Thank you for taking the time to participate in this survey.

APPENDIX B

SCOPE OF WORK

1. Electronic Data Interchange (EDI)/Electronic Bulletin Board (EBB) - This project will enable the company to electronically transmit data pursuant to the Commission's EDI orders (C. 98-M-0667). The project will also create an EBB which will permit the Company to transmit and display to marketers, among other things, marketer nominations, system notices, utility and marketer contacts, notification of system interruptions, and schedules for nominations based on GISB standards. The EBB will give marketers and the company the ability to confirm nominations and to permit a reconciliation of deliveries to nominations. The EBB is also expected to provide flexibility in the future re. gate allocations and daily, non-daily, and hourly nominations.

2. Uniform Business Practices/Enhanced Transportation - This project will permit the company to make the necessary computer system modifications to implement the Commission's Uniform Business Practices orders (C. 98-M-1343). These modifications will improve transactions associated with, among other things, switching customers to a marketer, returning customers to the company, and switching customers between marketers. The project's intent is to reduce the number of, and time dedicated to, manual transactions; the project will also position the Company for the Commission's EDI order. Other key features of the project will assist the company to comply with legislative and regulatory mandates for unbundling of services. The enhancements will permit the company to handle expected volume increases in Transportation customers and should help attract more marketers to the service territory.

3. Single Bill Option - This project is designed to allow customers to receive a consolidated bill from either the utility or a marketer. The project will permit the customer to receive one bill, allow for on-line view capability of residential and commercial bills, provide for a new printer, and redesign the bills. The project is being done, in part, in response to the Commission's Billing Order (C. 99-M-0631)

4. Rates and Calculation - This project will provide flexibility in the new rate structures needed in the era of competition in order for LDCs to comply with "Utility Rate Ready" requests from marketers.

5. Virtual Customer Care - An Intranet-based application being created to provide, in a cost-effective way, (1) consolidated billing, payment and reporting, (2) associated customer care processes and functionality, and (3) interfaces (from Intranet to existing legacy systems) needed to effectuate the billing option offerings anticipated under deregulation.

APPENDIX C

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Case 99-G-1469 - Petition of The Brooklyn Union Gas Company and KeySpan Gas East Corp. for a multi-year restructuring agreement.

SUPPLEMENTAL
ENVIRONMENTAL ASSESSMENT FORM

Prepared By:

THE BROOKLYN UNION GAS COMPANY,

KEYSPAN GAS EAST CORPORATION,

STAFF of the DEPARTMENT OF PUBLIC SERVICE,

and the other SIGNATORY PARTIES to the *Gas Restructuring Joint Proposal*

Dated: Albany, New York
March 11, 2002

I. Introduction

This document provides the substantive information solicited by Appendix A of 6 NYCRR 617.21, part of the regulations promulgated by the New York State Department of Environmental Conservation pursuant to the State Environmental Quality Review Act ("SEQRA"), Article 8 of the New York Environmental Conservation Law. An environmental assessment is an evaluation of the known or potential environmental consequences of a proposed action. Such an assessment also determines whether additional relevant information about such impacts is needed. Environmental assessments help involved and interested agencies identify their concerns about the action and provide guidance to the lead agency in making its determination of significance.

An Environmental Assessment Form ("EAF") provides an organized approach to identifying the information needed by the lead agency to make its determination of significance. A properly completed EAF describes a proposed action, its location, its purpose and its potential impacts on the environment. The EAF is the first step in the environmental impact review process and leads to either a positive declaration (requiring further analysis of the environmental impacts) or a negative declaration (requiring no further action) of potentially significant adverse environmental impact(s).

II. Environmental Assessment Form Information (Part I of EAF)

A. Applicant / Sponsor:

**The Brooklyn Union Gas Company
("KeySpanNY" or "Company")
One MetroTech Center
Brooklyn, New York 11201**

**KeySpan Gas East Corporation
("KeySpanLI" or "Company")
175 East Old Country Road
Hicksville, New York 11801**

B. Name of Action:

PSC Approval of the terms of the Gas Restructuring Joint Proposal in Case 99-G-1469

C. Location of Action:

KeySpanNY and KeySpanLI Gas Service Territories

D. Description of Action:

The Companies and other Signatory Parties are petitioning under the Public Service Law of the State of New York for approval of the terms of their Gas Restructuring Joint Proposal. On November 3, 1998, the Commission issued its Policy Statement Concerning the Future of the Natural Gas Industry in New York State and Order Terminating Capacity Assignment in Cases 93-G-0932 and 97-G-1380 (Gas Policy Statement). In the Gas Policy Statement, the Commission articulated its vision of the future of the natural gas industry, which is to "facilitate development of a competitive market; eliminate barriers to competition; provide guidance to LDCs and marketers, especially with regard to expiring capacity contracts; and address customer inertia." Gas Policy Statement at 3-4.

In the Gas Policy Statement, the Commission also set forth the following goals toward reaching its vision:

1) effective competition in the gas supply market for retail customers;

2) downward pressure on customer gas prices;

3) increased customer choice of gas supplies and service options;

4) a provider of last resort;

5) continuation of reliable service and maintenance of operations procedures that treat all participants fairly;

6) sufficient and accurate information for customers to use in making informed decisions;

7) the availability of information that permits adequate oversight of the market to ensure its fair operation; and

8) coordination of federal and state policies affecting gas supply and distribution in New York State.

The Commission also established three basic elements of the process to fulfill the goals and reach the vision established in the Gas Policy Statement. The first of those elements consists of discussions with each LDC on an individualized plan that would effectuate the Commission's vision. In preparation for those discussions, the Commission ordered LDCs to distribute to interested parties a proposal addressing the following issues:

1. A strategy to hold new capacity contracts to a minimum;

2. A quantification of potential stranded costs and a plan to mitigate and manage them;

3. A long term rate plan;

4. A plan to further unbundle rates;

5. A plan to enhance consumer education programs and facilitate customer participation in the commodity market; and

6. The possibility of a more aggressive role for LDCs in facilitating the move to a competitive market.

In addition to the distribution and negotiation of the LDCs individualized plans, the Commission also ordered the LDCs to file tariff leaves by February 1, 1999 that would eliminate mandatory capacity assignment, and the Commission ordered Staff to begin collaborative proceedings addressing system operation and reliability issues, as well as the elimination of mandatory capacity assignment. The Commission also required Staff to establish a proceeding to address market power issues.

The Commission further stated that "we have conducted an analysis under the State Environmental Quality Review Act ["SEQRA"] and have determined that there will be no significant environmental impact from adoption of this Policy Statement and, therefore, we have issued a Notice of Determination of Non-Significance." Notice of Determination of Non-Significance at P. 9. Notwithstanding this conclusion, the Commission required that each LDC shall submit draft environmental assessment forms with their individual proposals.

On March 11, 2002, the Signatory Parties entered into a Gas Restructuring Joint Proposal (the "Joint Proposal") modifying the Companies' individualized plans. Some of the key elements of the Joint Proposal include:

1. Merchant Function Backout Credits to "back out" of delivery rates the projected costs of the merchant function.

2. Recovery by the utilities of certain unavoided costs, representing a portion of lost revenues due to the Merchant Function Backout Credits.

3. Initiation of a process to develop, to the extent practicable, fully unbundled bill formats.

4. Continuation of periodic marketer satisfaction surveys.

5. Creation of a website marketing program to permit utility customers to seek offers from participating gas marketers through the utility website.

6. Implementation of a low-income gas "streaming" program to take advantage of discounted gas available from producers in-lieu of paying lease tract royalties directly to the U.S. Government.

7. Implementation of daily balancing service for interruptible customers on Long Island.

The Joint Proposal, as described above, involves changes in practices and economic arrangements affecting natural gas. Nothing inherent in the Joint Proposal calls for physical construction activities which would directly affect the environment. As a result, approval of the terms of the Joint Proposal is an "unlisted" action as defined in 6 NYCRR Section 617. While the regulations call for the use of a short form EAF in such instances, since this "action" does not involve physical construction, the Signatory Parties chose to utilize a narrative EAF as opposed to the form EAF.

III. Evaluation of Environmental Impacts (Part 2 of EAF)

Specific environmental impacts that might result from the Joint Proposal are highly unlikely and difficult to predict. In no case would any aspect of the Joint Proposal cause direct environmental effects, since the Joint Proposal does not involve physical activities that might have impacts on the environment. Instead, the Joint Proposal may contribute to the creation of circumstances that subsequently induce activities, which in turn may cause environmental effects. Nevertheless, the range of these potential effects has already been captured in the environmental review of the Gas Policy Statement.

In preparing this environmental assessment, the Signatory Parties have set out an evaluation of a range of conceivable secondary consequences of the Joint Proposal. The Signatory Parties have done so in order to assist the PSC in its evaluation of this issue. The Signatory Parties have relied on qualitative judgments as to the potential changes resulting from the proposed

actions and the magnitude and importance of the corresponding potential environmental impacts.

A. Impact to Air

The Signatory Parties were unable to identify any direct effects on air emissions resulting from the Joint Proposal. However, since the Joint Proposal could lead to an increased demand for natural gas consumption, the air quality impacts of same need to be examined here. It is well known that the combustion of natural gas results in emissions of carbon dioxide, carbon monoxide and nitrogen oxides. Even so, burning natural gas results in significantly fewer emissions of these contaminants than burning other fuels such as oil or coal. Furthermore, coal is a significant source of sulfur dioxide emissions, while the use of natural gas does not produce this compound. In fact, the burning of fuel oil also produces sulfur dioxide as well as carbon dioxide and nitrogen oxides in greater quantities than are produced by natural gas. Of the three major fuel choices (coal, oil and gas), gas is clearly the cleanest combustion fuel from an environmental perspective.

In the Notice of Determination of Non-Significance for the Gas Policy Statement, the Commission summarized its conclusion concerning the environmental consequences of implementation of its "vision" described in the Policy Statement, including in particular the separation of the utilities' distribution function from the competitive market function. "This policy, if effectuated, should result in a decline in the cost of gas for smaller customers, which will in turn, somewhat increase demand." Notice of Determination of Non-Significance at P. 1. "Since most of the increased demand is likely to result from customers switching to gas from dirtier fuels, the net air quality impact of the increased sales will be neutral and possibly positive." Notice of Determination of Non-Significance at P. 1.

As a result, the implementation of the Joint Proposal could further the demand for natural gas which in turn should further reductions in the emissions of sulfur dioxide, nitrogen oxides, particulates, and carbon dioxide. Thus, since clearly environmental benefits may result from an air emissions perspective, no further environmental review is necessary.

B. Impact to Water

The Signatory Parties were unable to identify any direct effects on water quality resulting from the Joint Proposal. As discussed in the Impact to Air section above, the Joint Proposal could result, in concert with other companies'

plans, in an increased demand for natural gas. This increased demand in turn could result in the construction of new gas transmission and distribution facilities to serve the increased demand. With such new construction, there could be the need to conduct work in environmentally sensitive areas such as wetlands or streams. While this work could potentially impact the environment, it would be subject to all current federal and state environmental regulatory requirements as well as a SEQRA review prior to construction. As the Commission found, "since the individual distribution projects are subject to SEQRA review at the time of Commission action, these speculative impacts need not be considered at this time." Notice of Determination of Non-Significance at P. 1.

C. Impact to Land

The Signatory Parties were unable to identify any direct effects on land use resulting from the Joint Proposal. However, as indicated above, new construction or expansion of transmission or distribution facilities could have potential environmental impacts. These impacts, however, would be mitigated by regulatory requirements and a SEQRA review at the time as denoted by the Commission in its Determination of Non-Significance.

D. Impact on Plants and Animals

The Signatory Parties were unable to identify any direct effects on plants and animals resulting from the Joint Proposal. However, as indicated above, new construction or expansion of transmission or distribution facilities could have potential environmental impacts. These impacts, however, would be mitigated by regulatory requirements and a SEQRA review at the time as denoted by the Commission in its Determination of Non-Significance.

E. Impact on Agricultural Land Resources

The Signatory Parties were unable to identify any direct effects on agricultural land resources resulting from the Joint Proposal. However, new construction or expansion of transmission or distribution facilities could have potential environmental impacts. These impacts, however, would be mitigated by regulatory requirements and a SEQRA review at the time as denoted by the Commission in its Determination of Non-Significance.

F. Impact on Aesthetic Resources

The Signatory Parties were unable to identify any direct effects on aesthetic resources resulting from the Joint Proposal. However, new construction or expansion of transmission or distribution facilities could have potential environmental impacts. These impacts, however, would be mitigated by regulatory requirements and a SEQRA review at the time as denoted by the Commission in its Determination of Non-Significance.

G. Impact on Historic and Archeological Resources

The Signatory Parties were unable to identify any direct effects on historic and archeological resources resulting from the Joint Proposal. However, new construction or expansion of transmission or distribution facilities could have potential environmental impacts. These impacts, however, would be mitigated by regulatory requirements and a SEQRA review at the time as denoted by the Commission in its Determination of Non-Significance.

H. Impact on Open Space and Recreation

The Signatory Parties were unable to identify any direct effects on open space and recreation resulting from the Joint Proposal. However, new construction or expansion of transmission or distribution facilities could have potential environmental impacts. These impacts, however, would be mitigated by regulatory requirements and a SEQRA review at the time as denoted by the Commission in its Determination of Non-Significance.

I. Impact on Transportation

The Signatory Parties were unable to identify any direct effects on transportation resulting from the Joint Proposal. However, new construction or expansion of transmission or distribution facilities could have potential environmental impacts. These impacts, however, would be mitigated by regulatory requirements and a SEQRA review at the time as denoted by the Commission in its Determination of Non-Significance.

J. Impact on Energy

The Commission clearly contemplated the possibility that increased competition could promote increased energy usage. The Signatory Parties believe that the Merchant Function Backout Credit will have only a modest impact on customer migration and an even lesser impact on energy usage and will not have a significant adverse effect on the environment. Therefore, no further SEQRA review is required at this time.

K. Noise and Odor Impact

The Signatory Parties were unable to identify any direct effects on noise or odor resulting from the Joint Proposal. However, new construction or expansion of transmission or distribution facilities could have potential environmental impacts. These impacts, however, would be mitigated by regulatory requirements and a SEQRA review at the time as denoted by the Commission in its Determination of Non-Significance.

L. Impact on Public Health

The Signatory Parties were unable to identify any direct effects on public health resulting from the Joint Proposal since under the Joint Proposal the Companies would continue to be responsible to maintain their facilities for the transmission and distribution of natural gas and for the delivery of gas to end use customers. Finally, since incremental demand for natural gas would result in a net reduction in air emissions, there could be a resulting public health benefit from the Joint Proposal if increased competition resulted in increased gas usage.

M. Impact on Growth and Character of Community or Neighborhood

The effect of the Joint Proposal will be to help encourage competition in gas commodity prices, which in turn may improve the economic well-being of communities in which gas is provided. Gas commodity price competition may help improve local business growth and contribute to the retention and growth of employment. It may also serve as another means to attract economic growth to New York State.

In order to educate consumers regarding their choices of gas commodity supplies, as described in the Joint Proposal, the Company will implement an Outreach and Education plan to educate consumers such that they can make informed decisions when taking advantage of the competitive marketplace.

IV. Significance of Environmental Impacts

After a review of the changes called for under the Joint Proposal, the Signatory Parties conclude that no further environmental review is necessary with respect to the Joint Proposal. No significant environmental impact was identified which would result from the subject Joint Proposal.