

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on October 22, 2003

COMMISSIONERS PRESENT:

William M. Flynn, Chairman
Thomas J. Dunleavy
James D. Bennett
Leonard A. Weiss
Neal N. Galvin

CASE 00-G-0996 - In the Matter of Establishment of Criteria for Interruptible Gas
Service.

ORDER CONCERNING INTERRUPTIBLE GAS SALES
AND TRANSPORTATION SERVICE

(Issued and Effective November 4, 2003)

BY THE COMMISSION:

On August 24, 2000 and January 31, 2001, we set forth requirements in this case applicable to interruptible gas sales and transportation service customers that use alternate fuels during periods of gas service interruptions.¹ We required local distribution companies (LDCs) to file tariffs requiring interruptible customers to have provable storage capacity and alternate fuel on hand to withstand interruptions of service for at least seven days in the case of Temperature Control (TC) customers, and ten days for on demand (fully) interruptible customers. Customers lacking sufficient storage space to

¹ Case 00-G-0096, In the Matter of Criteria for Interruptible Gas Service, Order Directing Utilities to File Revised Interruptible Gas Service Tariffs (issued August 24, 2000), Order Adopting Permanent Rule (issued January 31, 2001).

hold either seven or ten days of supply were required to enter the heating season with filled tanks and arrangements (e.g., a contract) suitable to the LDC (but not dependent upon spot market purchases), for replenishment of storage inventories such that the initial storage plus replenishment equaled the minimum storage inventory for its type of service.

Our orders currently apply only to interruptible customers using distillate (e.g., #2 oil, diesel, and kerosene), or those that serve human needs end users. However, as we stated in our August 24, 2000 Order:

Other alternate fuel users are on notice, however, that they must still have adequate supplies to meet periods of interruption, but we will not specify what minimum amount that should be. We stand ready to expand the applicability of these rules if future situations warrant change.²

During this past winter, interruptible customers were curtailed by some LDCs for a period of time that was considerably longer than the seven or ten day periods discussed above.³ Moreover, during the later stages of the winter, some oil suppliers apparently began restricting the sale of #2 oil to non-contract (spot sale) customers. The potential for unavailability of oil during periods of gas service interruption can place service to firm gas customers, and the stability of the distribution system itself, at risk.

In response to these concerns, the Commission requested comments as to whether the requirements regarding levels of alternate fuel inventory for interruptible customers should be increased for those companies whose interruptions exceeded the inventory requirements level, and if so, by how much. A related issue that the Commission asked to be addressed was determining what portion of any increase should

² August 24, 2000 Order, page 6.

³ KeySpan Energy Delivery of Long Island interrupted for a total of 28 days. Consolidated Edison Company of New York, Inc. interrupted service to its SC12, Priority D customers for 13.5 days. Central Hudson curtailed all of its interruptible sales customers for a total of 80 days.

be attributable to on-site storage capacity, or whether customers could meet an increased requirement solely through replenishment via a contract with an alternate fuel provider. Furthermore, regarding customers that have physical storage capacity that is currently larger than the seven or ten day requirement, the Commission sought comments as to whether such customers should be required to fill their tanks up to any new minimum level prior to the start of the heating season, or whether some combination of on-site storage with the remainder covered by a replenishment contract is an appropriate measure.

Low sulfur #6 oil (0.3% sulfur or less) is utilized by the largest customers in New York City who have the ability to utilize alternate fuels. In the 1999/2000 winter, supplies of low sulfur #6 oil were plentiful enough that there was no need for a specific inventory requirement for interruptible customers utilizing this fuel. However, in the past winter, a combination of colder weather, the voluntary migration of usage from natural gas to residual oil because it was less expensive, and disruptions in the oil industry in Venezuela helped create a shortfall. The Commission therefore solicited comments on whether a threshold inventory storage for interruptible customers who are presently excluded from the requirement to maintain an inventory should be implemented for customers who utilize low sulfur #6 oil, and what that inventory level should be. The Department of Public Service also convened a meeting held on June 24, 2003 to discuss the issues regarding interruptible service criteria given the experience of the last winter.

Based on a review of the interruptible service of last winter, the meeting held on June 24, the comments received from interested parties,⁴ and actions taken by the KeySpan companies in advance of the upcoming winter, we will not change interruptible alternate fuel inventory requirements now. We will, however, commence a limited study of the domestic heating industry's infrastructure used to serve the interruptible gas market, including distillate and residual fuels.

⁴ Con Edison submitted unauthorized reply comments on October 16, 2003 that are not considered here.

We will also require that LDCs be required to provide prior notice to oil associations, NYSERDA and us of the occurrence and expected duration of an interruption of gas service and operational flow orders (OFOs) and system alerts (SA) both upstream and downstream of the city gate. Finally, we will require that LDCs alert their interruptible customers of the potential need to replenish oil storage inventories whenever accumulated gas service interruptions exceed a total of 5 days prior to February 15. The utilities should inform the Commission by December 1, 2003, that systems are in place to provide for such notifications.

BACKGROUND

Utility curtailment of interruptible customers was infrequent during the two years prior to this last winter. However, the 2002-03 winter season consisted of several extremely cold periods, especially during the second half, and ended up being colder than normal. This forced LDCs to call upon interruptible and TC customers to switch to their alternate fuels several times during the cold spells in order for the demands of firm customers to be met. As a result, customer interruptions in some LDC markets exceeded the levels contemplated in setting alternate fuel requirements.

For example, KeySpan Energy Delivery of Long Island curtailed gas service to its fully interruptible and TC customers for a total of about 28 days between January 19th and March 7th.⁵ KeySpan Energy Delivery of New York's service to TC and interruptible customers was interrupted for about 9 and 11 days respectively. A segment of Consolidated Edison Company of New York, Inc.'s TC sales service experienced interruptions of about 13 days between January 17th and February 27th. Interruptible

⁵ Through March 7th New York City weather was 11.7% colder than normal.

sales customers in Central Hudson's territory were required to switch to alternate fuel for an 80-day period.⁶

The sustained cold weather also had impacts on availability of other forms of energy. Some petroleum terminals inventories in New York City, on Long Island and along the Hudson River were exceedingly low for brief periods. However, no oil or gas customers went without fuel due to insufficiency of supply.

DISCUSSION

Comments were received by Consolidated Edison Company of New York, Inc. (Con Ed), KeySpan Energy Delivery of Long Island and New York (KEDNY and KEDLI), New York State Electric & Gas Corporation (NYSEG), Niagara Mohawk Power Corporation (NIMO), National Fuel Gas Distribution Corporation (NFG), City of New York (NYC), Multiple Intervenors (MI), Independent Power Producers of New York (IPPNY), Empire State Petroleum Association, Inc. (ESPA), Spiegel Associates (Spiegel), Consumer Power Advocates and New York Energy Buyers Forum (Advocates/Forum). A summary of the comments is attached as Appendix A.

The comments, with one exception, overwhelmingly supported maintaining the status-quo in regard to alternate fuel inventory requirements. Generally respondents felt that increasing the inventory levels and associated interruptible requirements would result in additional burdens on customers without measurably affecting the reliability of the energy delivery systems. In addition, NYC stressed the need to have continued and increased customer education to increase the awareness of interruptible service obligations. Advocates/Forum added that proper communication between the LDC and its interruptible customers is critical and the Commission should institute a consumer

⁶ The interruptible sales customers accounted for only 20% (315 Mdt) of the total gas used (1,605 Mdt) by Central Hudson's interruptible sales and transportation customers during the 2001-2002 winter. Interruptible transportation customers were not interrupted by Central Hudson. These transportation customers were able to source gas supplies throughout the winter and, except for a two-day period for one, did not switch to alternate fuels.

outreach program to encourage compliance with existing interruptible service requirements.

ESPA was the only respondent that felt that there needs to be a change in the interruptible criteria. ESPA contends that the sudden surge in demand caused by interruptible customers entering the oil market caused oil supply constraints and price spikes. To help alleviate the stress on the oil market ESPA proposes a six point plan that would:

- 1) require interruptible gas customers to burn oil for a minimum period of at least 10 days during the winter months of December, January, and February (predictable demand);
- 2) require as a prerequisite of interruptible gas service that new customers be mandated to have on-site the seven/ten day storage requirement;
- 3) require existing interruptible customers with less than a seven/ten day on-site storage to expand on-site storage to the maximum amount feasible;
- 4) require existing interruptible customers to replenish depleted oil supplies as soon as possible during the heating season;
- 5) require Article X applicants to have on-site storage to meet the seven/ten day requirement;
- 6) have the Commission issue a heating season weekly report listing the price and inventory levels of natural gas.

ESPA's plan would improve reliability of gas service to the extent it would provide a measure of supply planning certainty to oil dealers who provide service to interruptible gas customers. However, we are not convinced at this time that its recommendations are in the best interest of consumers and will await the completion of a study of the oil industry infrastructure, as discussed *infra*, before further consideration of ESPA's proposals. Additionally we believe that supply and operational actions

undertaken by KEDLI since last winter, also discussed infra, mitigates the need to address these proposals now.

Nevertheless, ESPA's proposals warrant some consideration now. Interruptible service provides benefits to gas systems in that it maximizes the use of existing utility and pipeline infrastructures, thereby reducing costs to firm gas customers. ESPA's point 1, which advocates a "predictable demand" wherein an end user would be required to burn oil, whether such action is required or not, places burdens and uncertainty on customers which in all likelihood would result in them becoming either total firm gas or oil customers. These decisions could increase costs to these customers and potentially result in degradation of air quality. ESPA's point 2, which requires that new interruptible customers have on-site capacity sufficient to meet current storage requirements, presents these potential customers with the economic decisions in regard to on-site oil storage in advance, a less disruptive process than expansion of on site storage for existing customers.. Nonetheless, that requirement may place some prospective new customers at a competitive disadvantage to existing customers. Similarly, point 3 requiring existing interruptible customers to maximize the amount of oil storage capacity on-site adds economic burden which could have serious financial impacts on some.

ESPA's Point 4, which requires replenishment of depleted oil supplies as soon as possible during the heating season, would codify an existing voluntary practice. Customers are now on notice that storage inventory levels are a minimum requirement and customers must be prepared to sustain greater days of interruptions if circumstances warrant. Prior notice of the occurrence and expected duration of an interruption of gas service to oil associations such as ESPA assists oil suppliers so they are not surprised when interruptible customers begin calling for oil. As noted earlier, we will require that such prior notice communications with oil associations become an on-going requirement and that utilities also provide notice of OFOs and SAs, both upstream and downstream of the city gate.

ESPA's Article X point 5 proposal needs to be put in abeyance until such time as a successor to this process is enacted by the legislature. Siting proceedings are

the venue to make such recommendations. However, we note that the Commission's existing rules require electric generators who take interruptible service from utilities and have the capability to use distillate fuel to have 5 days of fuel back-up at maximum winter burn or to agree to not operate during periods of gas service interruptions.⁷ ESPA has provided no documentation that this current condition of service is unacceptable.

Finally, in regard to ESPA's point 6 request that the Commission issue a weekly report on gas price and inventory levels, the "NYSERDA Weekly Heating Fuel Report" now contains information on national natural gas inventory levels as well as the New York City-gate natural gas spot price. Staff should work with ESPA and LDCs to review what more can be reported in the area of gas price and inventory levels without disclosure of competitively sensitive material.

We agree with NYC and Advocate/Forum that education and communication in regard to interruptible service is important. Currently the LDCs contact their interruptible customers prior to each winter season and advise them of the interruptible service requirements. If the customers have questions in regard to their interruptible service they are free to contact the LDCs for additional information on an on-going basis. Compliance with interruptible service requirements has been improving and we are not aware of any significant compliance problems during the periods of interruption this past winter. Staff is currently initiating its annual pre-winter meetings with LDCs and interruptible service criteria and customer contact procedures will be discussed. At this time we do not see an immediate need to institute a customer service outreach program. However, to improve communications and help interruptible customers better prepare for interruptions we will require that LDCs alert their interruptible customers of the potential need to replenish oil storage inventories whenever accumulated gas service interruptions exceed a total of five days before February 15.

⁷ Article X generators, if served by an LDC, would likely be new contract customers and be required to maintain a 5 day fuel oil inventory at maximum winter burn as established by Commission Order in Case 00-G-0996, Criteria for Interruptible Gas Service (issued October 31, 2001).

Overall, the requirements contained in tariffs instituted in compliance with our interruptible orders adopted in 2000 and 2001 worked well this past winter. Additionally, because of pre-season notifications statewide, and tests of systems downstate,⁸ the number of customers found in non-compliance during the winter interruptions and unable to leave the systems when notified to do so was appreciably less than in the past. The periods of gas service interruptions in Con Ed's territory slightly exceeded the oil storage inventory requirements and involved only the utility's TC sales customers which represent a relatively small proportion of the overall load associated with interruptible service. KEDNY's duration of interruptions only marginally exceeded oil inventory requirements and the utility was able to maintain system reliability. While the duration of interruptions in Central Hudson's territory greatly exceeded the seven/ten day inventory requirements, it involved service to the interruptible sales customers that represented only about 20% of the total interruptible winter load. We are unaware of the inability of those customers to obtain #2 oil during the curtailment period. Given the circumstances, we will not modify the interruptible service fuel inventory requirements.

However, the fact remains that the combined gas and oil energy system was particularly strained in the Long Island market area during the past winter. KEDLI initiated blanket interruptions of all its TC and Interruptible customers for a total period of about 28 days and there were reports that at times some #2 oil storage tanks in the Long Island market were empty during this past winter. During the height of the cold winter KEDLI experienced reduced pressures in areas of its distribution system in Eastern Long Island that resulted in blanket interruption of customers for a period of 18 days. In addition, it was necessary for the company to interrupt customers for a period of 10 days due to supply constraints upstream of its interstate delivery points.

KEDLI is taking steps to address the upstream supply constraints by acquiring incremental city gate winter supply for both firm and interruptible markets

⁸ Con Ed and KeySpan perform an annual test of temperature controlled and interruptible customers to verify that the customers' dual fuel equipment is capable of switching off gas and onto fuel oil as required.

under agreements with several suppliers to maintain reliability for its customers. Also when there are distribution system constraints the utility will only interrupt those customers in the areas that are specifically experiencing problems, rather than initiating blanket interruptions (less than 25% of the interruptible customer base is located in distribution constrained areas). This will limit the number of customers interrupted and lessen the demand impact on the oil delivery system infrastructure.

The steps being taken by KEDLI along with the continued aggressive enforcement of the existing interruptible service requirements will mitigate the situation for this winter, and immediate action in regard to implementing stricter interruptible fuel inventory criteria is premature. However, the stress on the combined gas and oil energy systems in KEDLI's territory will continue to be of concern until a major new gas pipeline delivery point becomes available to the market area (e.g. Islander East) and it may become necessary to change interruptible service requirements in the future as circumstances warrant.

In its comments ESPA makes the following observations which have implications on what, if any, additional requirements for interruptible gas service should be imposed to insure continued system reliabilities for both gas and oil services:

"That the State's petroleum storage infrastructure has declined dramatically in recent years...only highlights the fact that interruptible difficulties will continue to increase in the years ahead."

ESPA's members, "are the final link in the State's vital petroleum distribution chain, directly serve the consuming public and compete for energy customers among themselves and with natural gas and electric utilities", and

"proper advanced planning will provide greater reliability and stability of distribution systems, adequacy of supplies, and a dampening of price spikes to the consumer."

We believe that a more thorough appreciation of the oil industry (including #6 oil) infrastructure, especially closer to the point of distribution, would enhance our

ability to analyze the proposals put forth by ESPA. We will, therefore, authorize a limited study, by an outside consultant, of the oil infrastructure, with particular emphasis on those facilities used to serve interruptible gas customers in the New York City Metropolitan area and the Hudson River corridor. We will require that the LDCs fund the project. NYSERDA, the Department of Environmental Conservation (DEC),⁹ and the oil associations are invited to participate in the study.

Since the study is related to infrastructure issues only, participation by the end user community should be solicited, as needed, by the consultant. A preliminary "Scope of Study", from which the parties can develop a detailed proposal to seek bids from prospective contractors, is attached as Appendix B. NYSERDA, because of its oil industry expertise, is invited to manage the study in cooperation with staff, subject to our review. The awarding of a contract shall not proceed until we approve both the final Scope of Study and the level of expenditures.

The cost of the study will be apportioned among the affected utility sectors based upon a representative year of interruptible gas sales and interruptible transportation volumes. Any such reasonable costs are a legitimate cost of utility business and a regulatory mandate.

CONCLUSION

Our consideration of the comments filed in this case leads us to conclude, for the reasons discussed above, that there is no need to alter fuel inventory requirements now. LDC's shall provide the notices discussed in the text of the this order and inform us by December 1, 2003 that provisions are in place to implement them and NYSERDA is invited to manage the oil infrastructure study discussed above, in cooperation with our staff.

⁹ DEC maintains an extensive inventory of oil storage facilities in the State as part of its environmental oversight. Stringent environmental regulations have been cited as an impediment "to adding storage capacity in the State." (State Energy Plan – 3-190).

The Commission orders:

1. Each jurisdictional gas corporation shall provide the notices described in the body of the forgoing order, and shall pay for the study as discussed in the body of this order.

2. This proceeding is continued.

By the Commission,

(SIGNED)

JACLYN A. BRILLING
Acting Secretary

SUMMARY OF COMMENTS

Comments were received by Consolidated Edison Company of New York (Con Ed), KeySpan Energy Delivery of Long Island and New York (KEDNY and KEDLI), New York State Electric & Gas Corporation (NYSEG), Niagara Mohawk Power Corporation (NIMO), National Fuel Gas Distribution Corporation (NFG), City of New York (NYC), Multiple Intervenors (MI), Independent Power Producers of New York (IPPNY), Empire State Petroleum Association, Inc. (ESPA), Spiegel Associates (Speigel), Consumer Power Advocates and New York Energy Buyers Forum (Advocates/Forum).

1. Should the levels of alternate fuel inventory for interruptible customers be increased, if so by how much, and for which specific LDC service area?

The LDC's are unanimous in their position that the current alternate fuel inventory requirements are effective and should not be changed. Con Ed notes that it has seen an increase in customer compliance with the interruptible service requirements since the institution of the current inventory levels despite the higher levels of interruptions experienced on its system this past winter. Increasing the requirements would deprive customers of making fuel choices based on price, availability, and operational qualities of the fuels. Con Ed believes the customers may turn to oil because of the requirement to invest in additional oil storage facilities and increased oil inventories or contractual commitments. Ultimately such a policy would also impact firm gas customers and the utility because of a decrease in revenues from interruptible gas service. KED adds that even with the colder than normal 2002-2003 winter and high levels of gas service interruptions it did not hear that customers had fuel oil inventory shortages or difficulty in acquiring oil supplies. NIMO opines that an increase would force customers to burn more oil than would normally be the case to reduce inventory costs. NFG adds that increasing the requirements would impose a burden to interruptible customers without any measurable improvement in the reliability of the gas system. NYSEG states that if the Commission adopts increased inventory requirements, the new standards should

apply to the downstate service territories only and apply to non-contract customers only. NIMO feels that if inventory requirements are increased they should be directed to human needs customers.

NYC, MI, IPPNY, Spiegel, and Advocates/Forum also feel that the current alternate fuel inventory requirements are working and are opposed to increasing them. NYC feels that the current requirements are reasonable and represent a manageable compromise between the competing considerations of assuring reliable service and limiting the risks associated with having larger supplies of fuel immediately available to interruptible customers. MI believes that the current inventory standards coupled with the LDC's broad authority to call on an interruption under their tariffs provide sufficient protections to operational and reliability concerns. MI adds that increased requirements would: limit customer service options; lead to customers incurring additional costs associated with operating and maintaining oil facilities; force customers to firm service; and hamper economic development. IPPNY also points to a negative economic impact of increased requirements and contends that such requirements could affect the emerging electric market by imposing new costs on electric generators.¹ Spiegel which owns two apartment complexes in Nassau county states that an upgrade to its back-up fuel capacity would be cost prohibitive. Advocates/Forum argues that the proposed rules are unnecessary, expensive, and would fail to correct the fundamental problem. It is MI's position that if increased requirements are ultimately imposed they should apply only to the specific areas that have been conclusively shown to require remedial measures.

ESPA does not believe that increasing the number of days in fuel oil supply contracts will solve the problem. ESPA states that fuel oil suppliers cannot predict the time, duration or frequency of gas supply interruptions and increasing the days in an interruptible customer's fuel oil supply agreement will not increase the physical

¹ Most electric generators are contract customers of the LDC and are subject to a 5 day fuel inventory level at maximum winter burn established by a Commission order in Case 00-G-0996, Criteria for Interruptible Gas Service (issued October 31, 2001) which modified fuel inventory requirements for contract gas customers.

availability of oil in the market necessary to meet interruptible demand. ESPA believes that the most significant buffer against supply constraints and price increases for both gas and oil is predictable demand. ESPA contends that it is the unpredicted sudden surge in demand caused by interruptible customers entering the oil market that can cause supply constraints and price spikes. To help the oil industry to plan ahead for the winter season ESPA proposes that the Commission require interruptible gas customers to use their alternate fuel during the months of December, January, and February for a specified 10 day or longer period of time. Also ESPA would have the Commission require that all new interruptible customers, as a prerequisite of obtaining gas service, have on-site alternate fuel storage to meet the seven/ten day requirement.

2. What portion of any increase should be attributable to on-site storage, or could customers meet an increased requirement solely through replenishment via a contract with an alternate fuel provider?

Since the parties generally do not support increasing requirements comments on this specific issue were limited. Con Ed believes that increasing on-site storage or increasing fuel replenishment via contracts with oil suppliers would serve to skew interruptible customers' fuel choices. NIMO adds that increasing on-site storage may not be physically possible for some customers and/or cost prohibitive. NYC agrees and states that an increase in requirements may be unduly burdensome, increase costs, pose potential safety hazards, and cause customers to migrate to firm service. MI's opinion is that requiring on-going replenishment of oil supply may result in customers that are compelled to purchase oil supplies during periods of low supply, thus exacerbating the market that the requirements are meant to help stabilize.

Advocates/Forum notes that: space to build additional oil storage in New York City is limited; considerable expenses will be added to interruptible customers; and customers may be compelled to switch to firm service. As to replenishment via contract, Advocates/Forum feels that may be feasible, but contract terms should not be dictated to avoid possible price gouging by oil suppliers.

As part of its proposed remedies ESPA would have the Commission order existing interruptible customers whose storage capacity is under the seven/ten day requirement to expand on-site storage to the maximum amount feasible to meet the existing requirements. ESPA would also have the Commission require that existing customers replenish depleted petroleum supplies as soon as possible during the heating season and that the replenishment be subject to verification and enforcement.

3. Should customers that have storage capacity that is currently larger than the seven or ten day requirement be required to fill their tanks up to any new minimum level prior to the start of the heating season, or is some combination of on-site storage with the remainder covered by a replenishment contract an appropriate measure?

Con Ed states that it would send the wrong signal to the industry if the Commission were to adopt more onerous fuel inventory requirements for customers solely because they all ready have superior alternate fuel capabilities than required by the LDC's gas tariffs. According to Con Ed such a policy would: discourage customers from being proactive in addressing fuel needs; would unnecessarily discourage a customer's electing to use interruptible gas instead of an alternate fuel; and would make it more difficult for the LDCs to monitor and enforce compliance with fuel inventory requirements if multiple standards were required.

4. Whether a threshold inventory storage for interruptible customers who are presently excluded (e.g. interruptible customers who use #6 oil) from the requirement to maintain an inventory should be implemented, and what that inventory should be?

Con Ed states that for purposes of encouraging compliance with utility interruption notices and assuring system reliability, non-distillate fuel users should be subject to the same fuel inventory requirements as distillate fuel users. Con Ed points out that its tariff and operating procedures all ready have comparable requirements for both distillate and non-distillate fuel users. NYSEG believes that currently exempt customers should continue that status, but if new requirements were implemented they should apply to all interruptible customers including contract customers regardless of alternate fuel

type. MI and IPPNY oppose extending the fuel oil inventory standards to customers who use #6 oil as an alternate fuel. MI feels that there has been no demonstration to indicate that interruptible customers using #6 oil as an alternate fuel have had an adverse impact on the price or deliverability of natural gas or home heating oil under the current requirements. IPPNY's position is that no compliance problems were reported for electric generators and that the new requirements should not apply to that market segment.

ESPA urges the Commission to adopt a requirement that the seven/ten day on-site alternate fuel inventory requirement be extended to all Article X applicants seeking approval to construct an electric generating facility.²

5. Other Comments

Con Ed stressed that for the most part its interruptible customers' compliance with its gas service interruption requirements was good this past winter period. In instances of repeat offenders customer's compliance could be improved by increasing penalty levels for unauthorized usage or by implementing existing tariff provisions allowing for the termination of service to customers that fail to comply with the Companies' tariffs.

NYC would like to see continued and increased customer education to increase awareness of interruptible service obligations. The Commission could mandate that LDC's be obligated to educate their interruptible customers and verify that they have complied with that requirement. Advocates/Forum agrees that there is a need for continuous education and adds that proper communication between the LDC and its interruptible customers must be maintained. The Commission should institute a

² Article X generators, if served by an LDC, would likely be new contract customers and be required to maintain a 5 day fuel oil inventory level at maximum winter burn as established by Order in Case 00-G-0996, Criteria for Interruptible Gas Service (issued October 31, 2001.)

consumer outreach program that will encourage compliance with existing interruptible service requirements.

ESPA believes that the Commission should implement a weekly report during the heating season listing the price and inventory levels of natural gas similar to the State Heating Oil and Propane Program Survey administered by NYSERDA in order to keep energy users better informed.

STUDY OF OIL INDUSTRIES INFRASTRUCTURE AND ITS ABILITY TO MEET
THE ONGOING DEMANDS OF INTERRUPTIBLE GAS CUSTOMERS

Draft Scope of Study

- Inventory of oil storage terminal capacity and large non terminal operator capacity serving the New York Metropolitan Region and the Hudson River corridor.
- Status of storage facilities:
 - Presently in use and market served.
 - Currently not in service and potentially available to a third party.
 - Future (2 to 5 years) plans for sites.
 - Historical trend of change in storage capacity (e.g. 1990 to present)
- Number of oil dealers serving the markets under review.
- Status of transportation facilities to move oil to and between terminals (barges, pipelines, etc.) and from terminals (trucking).
 - Are there surplus barges on the East Coast which could be moved to NY vicinity to provide storage for interruptible customers?
 - Are there docking and unloading facilities available?