

Filed Session of October 17, 2007  
S.P.O. 07-G-0920SP1  
S.P.O. 07-G-0921SP1  
Approved as Recommended  
and so Ordered  
By the Commission

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JACLYN A. BRILLING  
Secretary

Issued and Effective October 17, 2007

Commissioner Harris, recused

STATE OF NEW YORK  
DEPARTMENT OF PUBLIC SERVICE

October 9, 2007

TO: THE COMMISSION

FROM: OFFICE OF ELECTRIC, GAS AND WATER - GAS RATES

SUBJECT: CASE 07-G-0920 – Filing by New York State Electric & Gas Corporation to establish an Incremental Gas Supply Charge for daily metered transportation customers requesting supply service from the company.

CASE 07-G-0921 - Filing by Rochester Gas and Electric Corporation to establish an Incremental Gas Supply Charge for daily metered transportation customers requesting supply service from the company.

SUMMARY OF

RECOMMENDATION: Staff recommends that the filings be allowed to become effective.

SUMMARY

New York State Electric & Gas Corporation (NYSEG) and Rochester Gas and Electric Corporation (RG&E) (together the companies) propose to establish an Incremental Gas Supply Charge (IGSC) applicable to daily metered gas transportation customers who are requesting to return to sales service because they are no longer served by their Energy Service

Company (ESCO), or are without supply for some other reason. The IGSC will allow the companies to provide gas supply service to the returning customers without jeopardizing the reliability of service to the company's existing firm gas sales customers.

Staff recommends that the filings be allowed to become effective.

#### PROPOSED TARIFF FILINGS

On August 3, 2007, NYSEG and RG&E filed tariff revisions to implement an Incremental Gas Supply Charge as described below:

##### Applicability

NYSEG's proposed IGSC would be applicable to daily metered transportation customers who request to return to sales service under S.C. No. 2 (General Service), S.C. No. 9 (Industrial Manufacturing or Processing Purposes), or S.C. No. 10 (Non-Residential Distributed Generation Firm Sales Service) when the company has or can obtain capacity and gas supply to provide such service, and thereby not jeopardize the reliability of service to the company's existing customers receiving firm gas sales service. The IGSC would not be applicable to transportation customers that pay to reserve their "Sales Customer" status.

RG&E's proposed IGSC would be applicable to daily metered transportation customers requesting to return to sales service under S.C. No. 1 (General Service) from S.C. No. 3 (Large Transportation Service) or S.C. No. 7 (Firm Gas Transportation Service for Distributed Generation Facilities <50MW) whose annual usage is equal to or greater than 35,000 therms and the company has or can obtain capacity and gas supply to provide such service without jeopardizing the reliability of service to the company's existing S.C. No. 1 customers.

If NYSEG or RG&E is unable to obtain capacity to serve its IGSC customers, then such customers will be placed on a curtailment priority list after dual fuel customers.

Transportation customers returning to gas sales service where the only remaining load is heating load to prevent freezing of an empty building will be subject to the normal Gas Supply Charge instead of the Incremental Gas Supply Charge.

### Monthly IGSC Calculation

The IGSC would be the higher of: a) the Gas Supply Charge plus any incremental costs incurred by the company to serve a returning customer; or b) the Gas Supply Charge plus a percentage that is dependant on the calendar month.

If the company must sign a new contract for interstate pipeline capacity to serve such IGSC customer, the customer will be responsible for paying for the capacity for the term of such contract. If an IGSC customer returns to transportation-only service prior to the end of the contract for capacity, and the company determines the capacity is not needed for system supply, the capacity will be released to the customer's ESCO for the remaining term of the contract. If the customer's ESCO does not take release of the capacity, then the customer is obligated to pay the company the pipeline capacity costs for the remaining term of the contract and any other costs the company incurred on their behalf.

### Annual Reconciliation

The IGSC would be reconciled annually and included in the annual reconciliation of gas costs. Any revenues remaining after expenses incurred in serving customers subject to the IGSC will be refunded to all customers subject to the Gas Supply Charge.

### Monthly IGSC Statement

The IGSC would be shown on a statement filed monthly on not less than three days prior to the date on which it is proposed to be effective.

## DISCUSSION

NYSEG's and RG&E's proposed tariff changes would protect core customers from any resulting negative financial and/or reliability impacts when firm daily metered transport customers who lose either their ESCO service or other supply source request to return to sales service. An IGSC would charge these returning transport customers for the additional capacity needed to serve them, based on the added costs imposed on the system, and should create a financial incentive for the transport customer to return to the market for supply and capacity requirements as quickly as practicable. Monies collected through the IGSC would be

reconciled annually, and any revenues collected that exceed expenses will be refunded to all other sales customers.

These tariff changes would provide added protections which are not now in place and follow similar protections previously approved by the Commission for both National Fuel Gas and National Grid.

#### PUBLIC NOTICE

Pursuant to the requirements of the State Administrative Act, notices of these proposed changes were published in the State Register on August 22, 2007, and no comments have been received.

The companies request waiver of newspaper publication of the tariff filings because a transportation customer will be notified of the proposed changes when the customer requests to return to sales service with the companies.

It is recommended that the proposed tariff amendments listed in the Appendix be allowed to become effective and special permission be granted waiving the requirement of Section 66(12)(b) of the Public Service Law as to newspaper publication of the amendments.

Respectfully submitted,

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SUBJECT: Filings by: NEW YORK STATE ELECTRIC & GAS CORPORATION

Amendments to Schedule P.S.C. No. 87 – Gas

Fifth Revised Leaf No. 53  
Eighth Revised Leaf No. 48  
Tenth Revised Leaf No. 17

Amendments to Schedule P.S.C. No. 90 – Gas

First Revised Leaves Nos. 72, 73  
Second Revised Leaf No. 90.10  
Third Revised Leaf No. 92  
Fifth Revised Leaf No. 3.1  
Sixth Revised Leaf No. 91

Received: August 3, 2007

Effective: November 1, 2007

ROCHESTER GAS AND ELECTRIC CORPORATION

Amendments to Schedule P.S.C. No. 16 – Gas

First Revised Leaves Nos. 99, 100  
Second Revised Leaf No. 76  
Third Revised Leaves Nos. 75, 101  
Eighth Revised Leaf No. 128

Received: August 3, 2007

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S.A.P.A. 07-G-0920SA1 - State Register - August 22, 2007

S.A.P.A. 07-G-0921SA1 - State Register - August 22, 2007

SPECIAL PERMISSION APPLICATION – 07-G-0920SP1 and 07-G-0921SP1

NEWSPAPER PUBLICATION: Waived