

STATE OF NEW YORK

# Public Service Commission

Maureen O. Helmer, Chairman

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<http://www.dps.state.ny.us>

FOR RELEASE: IMMEDIATELY

02048/01G1668,01G1683

## PSC Seeks Public Comment on NYSEG Gas Rate Plan Proposal

Albany, NY – 5/29/02 – The New York State Public Service Commission is seeking public comment on a proposed plan that sets New York State Electric and Gas Corporation's (NYSEG) gas rates through 2008 and restructures the way NYSEG operates its gas business and provides natural gas services to consumers. The proposal was developed by the staff of the New York State Department of Public Service, NYSEG, many natural gas marketers that are active in NYSEG's service territory and Multiple Intervenors.

Customers can obtain more information about the proposed plan by reviewing a summary of the joint proposal available at [www.AskPSC.com](http://www.AskPSC.com), or accessing the entire joint proposal at [www.nyseg.com](http://www.nyseg.com), NYSEG's website. Many libraries offer free internet access. Additional information can also be obtained at one of the educational forums listed below.

Customers may comment about the proposed plan in a number of different ways, and should do so by Friday, June 17.

**Mailing Comments:** Statements can be mailed to Janet Hand Deixler, Secretary, New York Public Service Commission, Three Empire State Plaza, Albany, New York 12223. These letters should specifically refer to the NYSEG Gas Plan (Cases 01-G-1668 and 01-G-1683).

**Toll-free Opinion Line:** Interested citizens may call a special toll-free Opinion Line at 1-800-335-2120 to present their comments. This phone line is set up to receive taped messages from in-state callers, 24 hours a day.

**The Internet:** Comments may be submitted via the "Consumer Comment Form" in the "Consumer Assistance" file on the Department's website. The Website address is <http://www.dps.state.ny.us> and comments will be downloaded regularly.

**Public Statement Hearings:** The Commission has scheduled three public statement hearings at which interested citizens can comment about the proposed plan. Prior to each hearing, Department of Public Service staff will hold an educational forum to summarize

the proposed plan and answer questions about it. The hearings and forums will be held as follows:

Tuesday, June 4, 2002  
 Educational Forum at 1:30 p.m.  
 Public Statement Hearing at 2:00 p.m.  
 Educational Forum at 7:00 p.m.  
 Public Statement Hearing at 7:30 p.m.  
 Binghamton City Hall  
 38 Hawley Street  
 Binghamton, NY

Wednesday, June 5, 2002  
 Educational Forum at 7:00 p.m.  
 Public Statement Hearing at 7:30 p.m..  
 Lockport Public Library  
 23 East Avenue  
 Lockport, NY

### **The Proposed Plan**

On October 19, 2001, NYSEG filed a request with the Commission to increase its gas rates by \$21.4 million annually, effective October 1, 2002, a day after the current gas rate plan expires. Further, on October 26, 2001, NYSEG filed a separate request for Commission permission to recover from ratepayers an estimated \$31 million in revenue losses claimed by the company between November 1, 2001, through September 30, 2002, due to the increased cost of natural gas as compared to the costs forecasted in the current rate plan established by the Commission in 1995.

The Commission instituted a formal proceeding to allow a full public examination of both of NYSEG's requests. A large number of participants in the case entered into discussions in an attempt to resolve the issues associated with both filings. The discussions led to a proposal that has been filed for consideration by the Commission.

The proposed plan is designed to affect many aspects of NYSEG's services to its natural gas customers. In addition to the issues specific to NYSEG's two October 2001 filings, the plan also addresses compliance with the Commission's Gas Policy Statement designed to increase gas competition and customer choice, as well as the Commission's efforts to unbundle local utility bills so that consumers can compare the price of natural gas among competitors. Further, customers would share in the synergy savings from the recent merger of NYSEG's parent company and RGS Energy Group.

Finally, the proposed plan contemplates a second phase of the Commission's proceeding to examine rate design issues, additional competitive issues, marketer concerns, additional or enhanced low-income programs and other matters. Phase 2 would commence upon Commission approval/adoption of the pending proposal, with the goal of providing recommendations to the Commission prior to its February 2003 session.

Attached are highlights of the proposed plan.

**The following are some of the terms of a proposed plan to restructure the way New York State Electric and Gas Corporation (NYSEG) provides natural gas services to consumers. The plan has been filed with the New York State Public Service Commission for consideration in Cases 01-G -1668 and 01-G-1683.**

- Currently NYSEG provides customers with a bill that combines the cost of natural gas (i.e., “supply”) with the costs of delivering it (“delivery”). Beginning July 1, 2002, the bills would provide separate supply and delivery charges. NYSEG’s “unbundling” of bills would allow customers to more easily shop for gas supplies because they will have a NYSEG price to compare to the prices of gas suppliers who may sell gas in NYSEG’s territory.
- NYSEG would freeze gas delivery rates at current levels through December 31, 2008.
- NYSEG’s residential customers have had fixed rates – for both delivery and supply – since 1995. The forecasts used to set those rates proved to be inaccurate for the recent years of the current rate plan because wholesale prices are higher than anticipated. A gas supply charge (GSC) would be instituted on July 1, 2002, on customers’ bills to reflect the market price of gas so that customers pay the actual cost of the gas they consume. (Commercial and industrial customers have been paying market costs.) All residential customers would see an increase in their bills – estimated at between about 6 percent and about 24 percent on an annual basis, based on current forecasts of the market price of gas and depending on the service area in which the customer lives. The impact varies because NYSEG’s service areas are not contiguous and are served by different interstate pipelines that have different rates.
- NYSEG will continue its economic development programs to encourage attraction, expansion, and retention of gas business customers in its service territory. Following a staff review and evaluation of current economic development programs, NYSEG will formulate an Economic Development Plan that will provide funding for current programs, as appropriate, and for new program initiatives that may include, but not be limited to, discounts, incentives, and other cooperative programs for attraction, expansion and retention of business.
- A revenue sharing program would be implemented so that ratepayers would share in any revenues earned in excess of an 11.5% return on equity during the first two years of the plan, and 12.5% thereafter. The excess earnings would be shared equally between customers and shareholders.
- The plan would enhance the ability of gas marketers to compete with NYSEG and offer consumers more choices in their gas supplies. NYSEG would initiate outreach and educational efforts designed to inform customers of competitive options, conduct marketer surveys to measure the satisfaction of marketers in their interactions with the company, designate a management-level liaison to address marketer concerns and issues, host annual marketer education meetings and workshops, and participate in the development of a Competition Performance Mechanism (CPM) to measure the company’s performance in meeting established goals to foster a competitive marketplace.

- NYSEG would continue to fund a Low-Income Affordable Energy Program at \$1,250,000 annually, maintain the minimum monthly charge at \$6.40 for delivery rates (exclusive of gas costs) for participants in the program, and develop a pilot aggregation program to serve approximately 1,000 Home Energy Assistance Program (HEAP) customers who are not now in the Affordable Energy or Power Partner Programs.
- The Company would comply with more strict service quality criteria, such as customer satisfaction and measures to ensure safety and reliability of its system, or be subject to penalty actions. These measures help maintain Commission standards of customer service and system reliability.
- The plan would resolve NYSEG's October 21 request to recover \$31 million in increased gas costs for the period November 1, 2001, through September 30, 2002. In consideration of all of the other provisions of the proposal, including in particular the delivery rate freeze for the duration of the plan and the competitive initiatives discussed above, the company would be allowed to recover only \$12 million. Of that amount, \$10.5 million would be recovered from existing ratepayer credits and the remaining \$1.5 million would be amortized in equal amounts of \$250,000, and is only recoverable through any overearnings during the six- year period beginning January 1, 2003.