

STATE OF NEW YORK

# Public Service Commission

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FOR RELEASE: IMMEDIATELY

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## **New Rates for KeySpan Customers**

### **- Commission Acts to Keep Rates Low, Minimize Future Rate Increases -**

New York, NY—12/19/07 — The New York State Public Service Commission (Commission) today authorized five-year rate plans for the Brooklyn Union Gas Company, doing business as KeySpan Energy Delivery New York (KEDNY), and KeySpan Gas East Corporation, doing business as KeySpan Energy Delivery Long Island (KEDLI).

Under its rate plan KEDNY would increase its energy delivery rates, energy efficiency program surcharges and other commodity-related costs by \$46.9 million in the first year. Meanwhile, KEDLI, under its rate plan, would increase its same charges by \$82.4 million in the first year, effective January 1, 2008.

“Today’s decision by the Commission is based on the record developed by numerous parties,” said Commission Chairwoman Patricia L. Acampora. “Through the hearing process there was a full airing of the significant matters that affect rate levels. Our determination in these cases appropriately balanced the needs of ratepayers and investors.”

Chairwoman Acampora continued: “One overriding concern, however, was whether it is likely that additional revenue increases would be needed, starting in 2013. We concluded that such increases are likely to be warranted and we therefore are adopting additional terms to protect ratepayers, keeping the overall level of increase over the five-year rate plan below the level of inflation. The decision also authorizes a new gas energy efficiency program and greater assistance for low-income customers. I am also very pleased to announce in our order we have also set in motion a mechanism to better fund remediation of manufactured gas plant sites on Long Island and New York City.”

On October 3, 2006, KEDNY and KEDLI filed revised tariffs to change its rates, charges, rules and regulations for natural gas service. KEDNY's filing proposed to increase annual delivery revenues by approximately \$180 million and KEDLI's filing proposed to increase annual delivery revenues by approximately \$159 million if the merger between the companies and National Grid was not approved. The companies also sought increased revenues for commodity-related costs of \$32.8 million for KEDNY and \$14 million for KEDLI. These proposed rate increases were for a one-year period and the companies would be free to seek additional rate increases for subsequent years.

The decision today resolves most rate case issues left open in the Commission's order approving the merger of KeySpan and National Grid, including partial revenue requirements, service requirements and service reliability, quality and safety.

The impact of the new rate plan on a typical KEDNY residential heating customer using 1,401 Ccf (one Ccf equals 100 cubic feet) per year is approximately \$70.08 or 3.2 percent increase for the year 2008. Over the five-year plan the average annual rate increase would be 0.8 percent.

The impact of the new rate plan on a typical KEDLI residential heating customer using 1,398 Ccf (one Ccf equals 100 cubic feet) per year is approximately \$147.81 or 6.9 percent increase for the year 2008. Over the five-year plan the average annual rate increase would be 1.0 percent.

### **Mitigating Future Rate Increases**

The Commission's Advisory Staff estimates that in 2013 base or delivery revenue requirements could increase by approximately \$51.7 million for KEDNY and by approximately \$84.2 million for KEDLI. These estimated increases would not include any reasonable increase in costs relating to site investigation and remediation (SIR), gas delivery service, and other costs eligible for inclusion in the companies' revenue requirements. As a result, the Commission is concerned about the potential for substantial increases in revenue requirements at that time on a nominal and percentage basis.

Accordingly, the Commission authorized KEDNY to include in customers' bills a surcharge to collect an additional \$5 million (0.25 percent) annually in each of rate years one through five of the five-year rate plan and authorized KEDLI to include in customers' bills a

surcharge to collect an additional \$10 million (0.83 percent) annually in each of rate years two through five of the five-year rate plan. These amounts are included in the total authorized revenue increases.

The incremental increases will reduce by approximately one half the size of the revenue increases likely to be needed in 2013 because of the exhaustion of one-time monies resulting from the merger. The incremental revenue will be placed in a deferral account and will accrue interest at the respective company's allowance for funds used during construction rates.

The incremental revenues for KEDNY and KEDLI will be employed as the Commission determines, such as offsetting SIR or other cost deferrals, or as credits to offset future revenue requirements.

### **Gas Energy Efficiency and Low-Income Customers**

The two companies started energy efficiency programs earlier this year. The programs are designed to be cost-effective and to help customers reduce use of natural gas. The Commission authorized an increase in annual program budget levels for gas energy efficiency for the next five years, an increase from \$10 million to \$20 million annually for KEDNY and from \$5 million to \$10 million annually for KEDLI.

The new, higher budget amounts and deferred interim program costs incurred in 2007 would be recovered starting January 1, 2008, via a surcharge of \$0.0168/therm delivered for KEDNY and \$0.0124/therm delivered for KEDLI.

The Commission authorized a proposal to expand low-income rates for KEDNY's residential customers and to offer for the first time a low-income rate for KEDLI's residential customers. The KEDNY program would be open to 60,000 customers. The monthly minimum charge, including the first three therms, would be discounted by \$2.50/month for non-heating and \$9.50/month for heating customers and the second block delivery rate (for the next 47 therms) would be discounted by \$.2646/therm. Total discounts per year, to be paid for by all KEDNY firm service customers, are projected to increase from \$1.3 million to \$7.4 million.

Under KEDLI's new program, up to 30,000 residential customers would be eligible for discounts of \$2.50/month for non-heating and \$9.50/month for heating customers off the minimum charge, including the first three therms. The second block delivery rate for the next 47

therms would be discounted by \$.3622/therm. Total discounts per year, paid by all KEDLI firm service customers, are projected to total \$4.8 million.

### **Site Investigation and Remediation (SIR) Program**

Over the last 10 years, KEDNY and KEDLI have recovered from ratepayers average annual SIR costs to remediate various manufactured gas plant sites of \$2.78 million and \$2.44 million, respectively.

It is clear that SIR costs are likely to increase in the future. Therefore, the Commission decided to provide additional funding now to help offset the deferral and future amortization of what could be significant costs.

The Commission plans to examine and evaluate in 2010, after the third year of the rate plan, SIR costs, and all other deferred amounts, to determine whether any change is needed in the revenue requirements for KEDNY and KEDLI.

### **Monthly Billing and Automated Meter Reading**

The Commission authorized KEDNY, after customer notification, to issue monthly bills to 893,000 of its customers currently billed every two months, starting with bills for usage on or after July 1, 2008. The reason for the change is that monthly billing would lessen impacts associated with bi-monthly bills in winter heating months, comport with billing for most services procured from utilities and other businesses, and improve KEDNY's cash flow to reduce finance costs.

In addition, the Commission directed KEDNY and KEDLI to provide a report on its proposed Automated Meter Reading programs, including projections of costs and benefits, before initiating or expanding the programs.

A copy of the Commission's written decision in these cases (06-G-1185 and 06-G-1186), when issued, will be available on the Commission's [www.dps.state.ny.us](http://www.dps.state.ny.us) Web site by accessing the File Room section of the homepage. Many libraries offer free Internet access. Commission orders can also be obtained from the Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500).