

Filed: Session of January 12, 2005  
Approved as Recommended  
and so Ordered  
by the Commission

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JACLYN A. BRILLING

Secretary

Issued & Effective January 19, 2005

STATE OF NEW YORK  
DEPARTMENT OF PUBLIC SERVICE

December 23, 2004

TO: THE COMMISSION  
FROM: OFFICE OF GAS AND WATER - GAS RATES  
SUBJECT: CASE 04-G-1138 - Petition filed by National Fuel Gas  
Distribution Corporation for Permission to Recover Net  
Lost Revenues Resulting from the Billing Back Out  
Credit to Energy Service Companies.

SUMMARY OF

RECOMMENDATION: Staff recommends that the petition to recover  
net lost revenues be granted.

Summary

On September 23, 2004, National Fuel Gas Distribution Corporation (NFG) filed a petition requesting permission to recover \$1,235,160 in net lost revenues resulting from the operation of its billing back out credit to Energy Service Companies (ESCO). Lost revenues would be recovered from the company's Gas Restructuring Reserve (GRR) established to recover costs associated with the restructuring of the natural gas industry, pursuant to Commission orders<sup>1</sup> issued in Case 00-G-1858 and not from utility rates or customer bills.

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<sup>1</sup> Case 00-G-1858, National Fuel Gas Distribution Corporation-Rates, Order Adopting Terms of Joint Proposal (issued April 18, 2002) and Order Establishing Rate and Restructuring Plans(issued September 18, 2003).

Staff has examined the information in support of the company's petition and recommends that the request to recover billing back-out credit net lost revenues be granted.

Company's filing

NFG filed a petition to recover \$1,235,160 in net lost revenues resulting from the billing back out credit to ESCOs, pursuant to a Restructuring Plan designed to achieve a comprehensive restructuring of the rates and services of NFG in Case 00-G-1858. The billing back out provides an \$0.80-per-bill credit to ESCOs that issue a separate bill to customers for competitive services no longer billed by the utility company.

The company calculated total lost revenues of \$1,601,302 for the period from the inception of this credit on June 1, 2001 through September 30, 2004. It then reduced that amount by \$366,142, for avoided billing costs (e.g., postage, paper, envelopes and handling costs) that would have been incurred by NFG had it billed customers, to derive net lost revenues of \$1,235,160. The company requests cost recovery through the use of deferred revenues from the company's Gas Restructuring Reserve (GRR) established to recover costs associated with the restructuring of the natural gas industry, in lieu of rates, as envisioned by the Commission's orders in Case 00-G-1858.

Discussion

In Case 00-G-1858, the Commission allowed the company to petition, and upon showing, to recover net lost revenues associated with the operation of its billing back out provision. In support of its filing, NFG provided various customer billing data, credits provided ESCOs and avoided billing costs and computational information.

Staff's examination of the company's filing confirmed the data to the company's books and records. Staff also performed a random sample audit of the account entries for the

billing service provided, including the individual bills from both ESCOs and NFG. Staff also analyzed the various computations used to derive net lost revenues.

Based on Staff's examination of the various data and information provided in support of the company's petition, it was determined that the company experienced a revenue deficiency from the operation of its billing back out that is consistent with the amount requested by NFG and recommends that the company be permitted to recover \$1,235,160 in net lost revenues as requested by debiting the GRR, as envisioned by previous orders in Case 00-G-1858.

On October 13, 2004, a notice was published in the State Register in accordance with the State Administrative Procedure Act. The comment period expired on November 29, 2004 and no comments were received.

Recommendation

It is recommended that:

1. National Fuel Gas Distribution Corporation's petition be approved.
2. National Fuel Gas Distribution Corporation be allowed to recover \$1,235,160 in net lost revenue associated with the operation of its billing back out provision as described in the discussion in this memorandum.
3. This proceeding be closed.

Respectfully submitted,

VALERICA OREIFEJ  
Utility Engineer I

Reviewed By:

JUSTYN BATES  
Assistant Counsel

CASE 04-G-1138

Approved by:

MICHAEL SCOTT  
Acting Chief, Gas Rates  
Office of Gas and Water