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**STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION**

Case 05-M-0090—In the Matter of the System Benefits Charge III

**Comments of KeySpan Energy Delivery New York and  
KeySpan Energy Delivery Long Island**

**Introduction**

On January 28, 2005, the Commission issued a Notice Soliciting Comments (Notice) in this proceeding. The Notice seeks comment on a number of issues related to the continuation of the System Benefits Charge (SBC) in New York. The Notice included a number of questions to which the Commission seeks answers. The Brooklyn Union Gas Company d/b/a KeySpan Energy Delivery New York (KED NY) and KeySpan Gas East Corporation d/b/a KeySpan Energy Delivery Long Island (KED LI) (collectively, KeySpan or the Companies) hereby respond to the Notice with the following comments.

The SBC was initiated in 1998<sup>1</sup> as a surcharge on retail electric sales to fund certain public benefit programs supporting energy efficiency, research and development, low-income customer assistance, and environmental disclosure. The Companies are gas-only local distribution companies that to date have not been required to collect or administer the SBC. Thus, these comments do not specifically respond to the questions set forth in the Notice addressed solely to the administration of the SBC to date. However, Question 13 specifically

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<sup>1</sup> Case Nos. 94-E-0952 et al., In the Matter of System Benefits Charge Issues, Opinion No. 98-3 (Jan. 30, 1998) (1998 Order). See also Case No. 94-E-0952, In the Matter of Competitive Opportunities Regarding Electric Service, Order Continuing and Expanding the System Benefits Charge for Public Benefit Programs (Jan. 26, 2001) (2001 Order).

addresses implementation of an SBC applied to natural gas customers.

KeySpan hereby submits its comments on the issue of applying an SBC to natural gas distribution rates and responds to Question 13.

### **Gas Corporations Should Continue to Be Exempt from Implementing an SBC**

To date, the Commission has exempted gas corporations from imposing an SBC on their retail customers. In the 1998 Order, the Commission only considered an SBC applied to electric rates. In the 2001 Order, the Commission considered a proposal to apply the SBC to natural gas rates. KeySpan opposed expanding the SBC to gas rates at that time. The Commission did not discuss the issue specifically in the 2001 Order, but did not approve the proposal to expand the SBC to gas rates.<sup>2</sup>

KeySpan believes that gas corporations should continue to be exempted from implementing an SBC. Thus, KeySpan's general answer to Question 13 is that the SBC should not be expanded to include programs for natural gas customers.

There are several factors supporting KeySpan's position on a natural gas SBC. First, gas companies have been and continue to fund programs similar to those funded by the SBC, making an additional SBC program unnecessary. For example, KeySpan supports many programs, similar to those funded by the SBC, through its On Track Program. The On Track program assists customers in managing their financial resources and obligations, including their utility bills. As part of KeySpan's long-standing commitment to the communities in its service

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<sup>2</sup> See 2001 Order (pages 7-9).

territories, KED NY created On Track to provide a number of types of financial assistance and education for low-income customers. One major component of the On Track program is its emphasis on helping customers access and use energy efficiency tools and products. On Track's package of services includes the following:

- **Energy Conservation** - Various conservation and weatherization programs assist customers in reducing their energy consumption and costs.
- **Gas Appliance Services** - The gas appliance and equipment repair and replacement program helps eligible households maintain their appliances and equipment in good working order.
- **Energy "Home Study" Course** – The "Home Study" energy and financial management course supplies user-friendly print and audio training materials in English and Spanish.
- **Client Services** – On Track provides a wide range of assistance, such as financial analysis, individualized account follow up, development of affordable payment plans and counseling for social and financial assistance.
- **Payment Plans** – On Track offers financial incentives for households that a) pay down a past due balance with an affordable payment plan, and b) complete the "Home Study" course. Incentive allowances, totaling up to \$400, are credited towards the past due balance periodically during the program year

Thus, On Track is more than a simple low-income customer assistance program; rather, it is KeySpan's vehicle for providing energy efficiency and conservation measures, as well as the economic benefits of these measures,

directly to the energy consumer. In addition, KeySpan can target the program to customers who will benefit most from the program, allowing both the customers and KeySpan to receive the maximum benefits from the program.

KeySpan's affiliate, KeySpan Energy Delivery New England (KED NE),<sup>3</sup> also administers an extensive energy efficiency program in its Massachusetts and New Hampshire service territories. Those program elements include customer communication and education, energy audits, customer incentives, trade ally communication and education, weatherization assistance for low-income customers, and market research. Rebates are employed in the residential market to promote efficient natural gas products. Rebates and incentives are available to commercial and industrial customers to encourage the installation of energy efficiency measures, including new technology. Personalized energy information is available through KED NE energy auditors or on-line audit tools. Program costs are recoverable in customer bills, and the Company earns incentives for meeting predetermined performance objectives.

In sum, KeySpan maintains a wide-ranging array of energy efficiency programs throughout its New York, Long Island and New England service territories. By operating a company-wide program that spans the New York and New England jurisdictions, the Companies take advantage of economies of scale and scope these programs create. Customers in all jurisdictions receive direct valuable benefits from these programs as a result. KeySpan has a long track

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<sup>3</sup> KeySpan Energy Delivery New England consists of Boston Gas Company, Colonial Gas Company, EnergyNorth Natural Gas, Inc., and Essex Gas Company.

record of successful administration of these programs to the benefit of its customers and the environment. These programs should be the template for continued efforts by gas distribution companies to improve energy efficiency initiatives in New York.

Second, implementing an SBC on natural gas distribution customers likely will create inequities and windfall benefits that are unnecessary, unwarranted, and likely will achieve little in the way of incremental environmental or economic benefit. Those inequities stem from the fact that all geographic areas of the state are served by electric utilities and electric distribution service is universally available and used by the citizens of the state, while natural gas service is not universally available or used. Certain areas of the State are not served by any gas distribution company and within the gas distribution companies' service territories, natural gas service is not available to all residents due to limited infrastructure availability. For example, the utility's infrastructure may not extend to all areas in the utility's service territory. Since natural gas competes with other fuels, even where natural gas service is available, not all who could use natural gas avail themselves of the opportunity to do so.

Thus, if the SBC were extended to natural gas customers, they would be disadvantaged. Extending the SBC to natural gas customers would increase their cost burden since they already pay an SBC in their rates for retail electric service. At the same time, it is unlikely that those customers would receive additional benefits. Moreover, if programs funded by the natural gas SBC are made available to all residents in a company's service territory, not just the

natural gas customers who pay the SBC, those customers will subsidize the benefits received by non-gas customers.

Third, to the extent a natural gas SBC program were to be administered on a state-wide basis by a third party, the many direct, customer-specific benefits that KeySpan's programs have produced for its customers would be reduced or eliminated.

Thus, KeySpan believes its existing energy efficiency and economic assistance and development programs provide more benefits to the Company's customers than would result from the Company's participation in a natural gas SBC program like the current electric SBC. KeySpan urges the Commission to retain the exemption from the SBC program for gas local distribution companies.

### **Specific Responses to Question 13**

To assist the Commission in its evaluation of the issues raised in the Notice, KeySpan submits the following additional comments on the specific sub-question contained in Question 13. However, these comments should not be read as any endorsement of a natural gas SBC.

**Question 13. Should the scope of the SBC be expanded to include programs for natural gas customers? If so:**

**a. What kinds of programs would benefit New York gas customers?**

The programs that would benefit New York gas customers are the kinds of programs KeySpan currently provides and supports, as discussed above. Program design should be comprehensive, controlled and administered

by KeySpan at all levels, and compatible with KeySpan's existing program framework that has been successfully implemented, as discussed above. KeySpan customer contributions should apply only to programs benefiting KeySpan customers. Program design consistent with the On Track and KED NE programs will allow for economies of scale in program administration, rebate processing, literature and communications, and contracts. Additional synergy savings can be achieved with programs managed by KeySpan's experienced staff within the organization.

b. Which classes of customers would be served most effectively by a natural gas SBC program?

KeySpan's experience in administering its programs is that all of its customers have been effectively served by its programs.

c. How should a natural gas SBC program be funded and what annual level of funding might be considered reasonable? How might a natural gas SBC affect current electric SBC funding levels?

Any natural gas SBC should not be used as a subsidy for the existing electric SBC programs. SBC levels should not increase customers' natural gas bills, nor be subsidized by the gas utilities' shareholders, and should provide a net benefit to customers. Any SBC imposed on gas customers should benefit those customers directly.

d. What should be the initial duration of a natural gas SBC, and should that term coincide with the extension of an electric SBC, if the electric SBC is extended?

The duration of any SBC imposed on natural gas customers should be established in a rate proceeding brought by the gas utility and should not be tied to the electric SBC program unless the gas utility can accommodate that program in its proposal.

**e. How might a natural gas SBC be administered and evaluated and how should it differ from the administration of the electric SBC?**

Any natural gas SBC should be administered by the individual gas utility and evaluated in the context of each individual utility's program. KeySpan has many years' experience developing, administering and evaluating energy efficiency programs and can coordinate the full resources of the Company as the program administrator for its customers. Participants are KeySpan customers and energy efficiency is an effective customer service tool. As the administrator, KeySpan can leverage established, nationally recognized programs already in place in New York, Massachusetts and New Hampshire. By operating consistent programs in all three jurisdictions, KeySpan will have greater impact on the market for energy efficiency, and benefit from economies of scale in program design, implementation and administration.

In addition, KeySpan's programs have the added benefit of providing energy efficiency assistance directly to the Company's customers. In contrast, the current SBC program largely provides that assistance more indirectly to home owners, other building owners and landlords. While the current SBC program provides benefits to those recipients, in those cases where the customer

is the tenant, rather than the owner, the customer tends not to receive the same level or immediacy of assistance.

However, KeySpan would not object to participating in a coordinating council in partnership with other state gas utilities to provide coordination and a state-wide perspective to the local utilities' programs. Indeed, KED NE participates in GasNetworks, a regional collaborative devoted to promoting natural gas efficiency and regional efficiency programs. KED NY, KED LI and KED NE also currently participate in many regional and national organizations to promote energy efficiency, including NYSERDA, the Consortium for Energy Efficiency, the Northeast Energy Efficiency Partnerships, the Association of Energy Service Professionals, the ENERGY STAR® program of the U.S. Environmental Protection Agency and the U.S. Department of Energy<sup>4</sup>, the Low-Income Energy Affordability Network, the Natural Resources Defense Council, the Northeast Energy Efficiency Council, the Alliance to Save Energy, and the American Council for an Energy Efficient Economy, which, in 2003 nationally recognized KeySpan for delivering "Exemplary" gas efficiency programs.

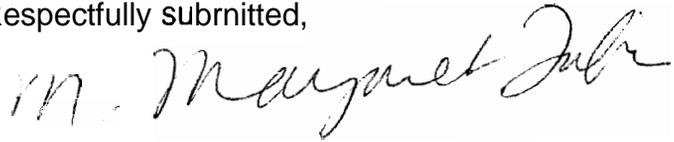
## **CONCLUSION**

For all of the reasons set forth above, KeySpan Energy Delivery New York and KeySpan Energy Delivery Long Island urge the Commission to continue the current practice of limiting the SBC to electric retail rates only.

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<sup>4</sup> ENERGY STAR® is an effort by DOE and EPA to prevent pollution and encourage efficiency by helping consumers buy products that use less energy. The ENERGY STAR® label and promotions raise awareness of the environmental and economic benefits of energy efficient products and help consumers identify them.

Respectfully submitted,

A handwritten signature in black ink that reads "M. Margaret Fabic". The signature is written in a cursive style with a large, stylized initial "M".

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