

Filed Session of April 15, 2010  
Approved as Recommended  
and so Ordered  
By the Commission

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JACLYN A. BRILLING  
Secretary

Issued and Effective April 15, 2010

STATE OF NEW YORK  
DEPARTMENT OF PUBLIC SERVICE

March 30, 2010

TO: THE COMMISSION

FROM: OFFICE OF ELECTRIC, GAS AND WATER – GAS RATES & TARIFFS

SUBJECT: CASE 08-G-1392 - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of St. Lawrence Gas Company, Inc. for Gas Service.

St. Lawrence Gas Company, Inc. made a compliance tariff filing to implement Rate Year 1 of a three-year rate plan adopted by the Commission in its Order issued December 18, 2009 in this proceeding.

SUMMARY OF

RECOMMENDATION: Staff recommends that the amendments listed in the Appendix be allowed to become effective on a permanent basis upon the issuance of this Order.

Summary

St. Lawrence Gas Company, Inc. (St. Lawrence or the company) filed amendments (see Appendix) to its gas tariff schedule in compliance with the Commission's Order Establishing Rate Plan issued December 18, 2009 in Case 08-G-1392 (December 18 Order). The December 18 Order adopted a Joint Proposal that provided for a delivery rate increase of \$1,374,127 (11.3%) in the first rate year (January 1, 2010 through December 31, 2010) of the three-year rate plan.

Staff has reviewed the amendments and finds them to be in compliance with the December 18 Order. Therefore, the tariff amendments listed in the Appendix should be allowed to become effective on a permanent basis as of the issue date of the Commission Order in this matter.

#### Compliance Filing

By its December 18 Order, the Commission adopted the terms of the Joint Proposal and directed St. Lawrence to file, to become effective on a temporary basis on January 1, 2010, tariff amendments necessary to effectuate the terms of the December 18 Order for Rate Year 1. These changes would not become effective on a permanent basis until approved by the Commission.

On December 30, 2009, St. Lawrence filed tariff amendments, which became effective on a temporary basis on January 1, 2010, to revise its gas tariff rates in compliance with the December 18 Order as described below.

#### Rate Design

The new delivery rates will increase the minimum charges for S.C. No. 1 - Residential customers from \$11.50 to \$15.00 per month and for S.C. No. 2 - Small General Firm Service customers from \$18.25 to \$25.00 per month. Of these increases, \$0.70 will fund the low income program, pursuant to which all Home Energy Assistance Program-eligible residential customers will receive a \$5.00 discount on their monthly bills. The usage block rates for S.C. No. 1 were adjusted from \$0.2940 per therm and \$0.1582 per therm to \$0.3975 per therm and \$0.1751 per therm, respectively, for the penultimate and ultimate blocks. The usage block rates for S.C. No. 2 were adjusted from \$0.2700 per therm and \$0.1620 per therm to \$0.3670 per therm and \$0.1745 per therm, respectively, for the second and third blocks.

#### Load Balancing Charges

The S.C. No. 3 Load Balancing Charge represents that portion of gas costs required to balance the industrial customers' usage to their delivered volumes. These costs

may change on a month to month basis. Load balancing charges will no longer be fixed but will change monthly and be reported within the gas adjustment clause statement.

#### Factor of Adjustment

The Factor of Adjustment which is used to adjust the volume of gas to reflect Lost-and-Unaccounted-For (LAUF) gas on the system will continue at 1.005 to recover a loss percentage of 0.5%.

#### Merchant Function Charge and Delivery Rate Adjustment

The existing Merchant Function Charge (a charge applicable only to sales customers) was modified to separate out the applicable transportation customer charges, and a Delivery Rate Adjustment (a charge applicable only to transportation customers) was established. The objective is to remove from base rates those gas costs that are more properly allocable to the costs of providing transportation service and sales service, respectively, and to collect them from the customers receiving such services. The gas costs that will be removed from base rates are: uncollectible costs associated with gas commodity costs, the return on storage charges, gas procurement salaries and gas control costs. The company will set the MFC and DRA rates once per year in December to become effective January 1. The company will calculate under or over collections and reflect the adjustments through the new rates in the MFC/DRA Statements that will be filed with the Commission each year.

#### Revenue Decoupling Mechanism

A Revenue Decoupling Mechanism (RDM) applicable to residential sales and transportation customers who take service under S.C. No. 1 was implemented. The RDM will reconcile actual delivery margin per customer to allowed delivery margin per customer. The Company will surcharge or refund customers the amount by which the actual margin per customer differs from the allowed margin per customer.

Reconnection Charge

The charge for reconnecting gas service, during other than normal working hours, for a customer whose service was discontinued for nonpayment was changed from \$76.00 to \$96.00, and will remain at \$64.00 for normal working hours. For customers participating in the low income program, 50% of the customer reconnection charge will be waived.

Interruptible Incentive Credit

When the company applies a flexible rate to customers in S.C. No. 4 - Interruptible Service and S.C. No. 4A - Monthly Average Day Interruptible Transportation Service, a credit or surcharge will be given to S.C. Nos. 1 and 2 customers through the Monthly Cost of Gas applied to their bills. The amount of this credit/surcharge is based on the difference in gross margin (excluding gas costs and revenue taxes) and \$1,800,000 (the threshold level). The first \$100,000 of the difference between the gross margin revenues received and the imputed threshold is shared 85% to S.C. Nos. 1 and 2 customers and 15% to the company. The mechanism for the Interruptible Incentive Credit has been maintained and the imputed threshold level has been increased from \$1,186,000 to \$1,800,000.

Conclusion and Recommendation

Staff has reviewed the company's filing and finds that it is in compliance with the Commission's December 18 Order in Case 08-G-1392.

It is recommended that the amendments listed in the Appendix be allowed to become effective on a permanent basis upon the issuance of this Order.

Respectfully submitted,

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Filing by: ST. LAWRENCE GAS COMPANY

Amendments to Schedule P.S.C. No. 3 – Gas

Original Leaf No. 191.1

First Revised Leaf No. 7

Second Revised Leaves Nos. 4, 32, 33, 77, 146, 191, 290, 296

Fourth Revised Leaves Nos. 262, 267, 268, 276, 277, 287, 282, 303, 305,  
306, 307, 312, 313, 314

Fifth Revised Leaves Nos. 185, 261

Seventh Revised Leaves Nos. 182, 260, 266, 275

Received: December 30, 2009    Effective: January 1, 2010\*

\*Effective on a temporary basis.