

**..DID: 20403**

**..TXT:**

**NATIONAL FUEL GAS DISTRIBUTION CORPORATION**

*10 Lafayette Square*

*Buffalo, NY 14203*

August 30, 2002

Hon. Janet H. Deixler  
Secretary  
Public Service Commission  
Three Empire State Plaza  
Albany, NY 12223-1350

Re: Case 00-M-0504 - Provider of Last Resort - Unbundling Track  
Further Amendments

Dear Secretary Deixler:

On June 7, 2002, National Fuel Gas Distribution Corporation ("Distribution" or the "Company") filed tariff amendments ("compliance filing") designed to comply with the Commission's Order Concerning ESCO Deposits and Prepayments issued in Case 00-M-0504 on May 9, 2002 ("Order"). Staff for the Department of Public Service ("Staff"), in its review of Distribution's compliance filing, has requested that the Company issue further amendments modifying the compliance filing to meet the requirements of the Order. Accordingly, Distribution submits the following further amendments to its tariff, P.S.C. No. 8 - GAS:

Leaf No. 270	Revision 7
Leaf No. 270.1	Revision 1

The above tariff changes are issued as of the date hereof for an effective date of September 3, 2002. These revisions modify the Company's compliance filing as follows:

1. The compliance filing included a provision requiring ESCOs ("Suppliers") to notify the Commission and the

Company of any changes in bond rating within twenty-four (24) hours of such change. This provision has been deleted.

- 2 -

2. The compliance filing proposed to require that Suppliers return customer deposits and prepayments after the Supplier's bond rating falls below the minimally acceptable level. This provision has been deleted.
3. With respect to escrow accounts (required for uncreditworthy Suppliers holding customer deposits), Distribution's compliance filing proposed to require that Suppliers demonstrate on a monthly basis that the escrow account balances are sufficient to secure current customer deposits. This provision has been modified to require a showing of adequate escrow funding once annually.
4. The compliance filing proposed to require Suppliers to return customer deposits if the escrow balance fell below the total amount of deposits presumably held. This provision has been deleted.
5. As authorized by the Order, the compliance filing proposed to require Suppliers to obtain a letter of credit to secure customer deposits. As with proof of escrow balances, the compliance filing proposed to require that (i) the Supplier make a monthly demonstration of the sufficiency of the letter of credit, and (ii) the Supplier return customer deposits if the letter of credit<sup>1</sup> amount is less than the amount of customer deposits being held. These provisions have been modified to require the showing to once annually and to delete the requirement to return customer deposits if the letter of credit amount is insufficient.

The Company's Gas Transportation Operating Procedures Manual will also be modified to conform to the above changes.

Respectfully submitted,

Michael W. Reville

<sup>1</sup> Erroneously identified in the compliance filing as the "Escrow Account balances."