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NIAGARA MOHAWK POWER CORPORATION
October 31, 2000

Honorable Janet Hand Deixler
Secretary
State of New York
Public Service Commission
Three Empire Plaza
Albany, New York 12223

Dear Secretary Deixler:

RE: Case 99-M-0631
In the Matter of Customer Billing Arrangements
Alternative Billing Arrangements

Dear Secretary Deixler:

The attached tariff leaves issued by Niagara Mohawk Power Corporation are transmitted for filing in compliance with the Public Service Commission*s Order Denying Petitions for Rehearing in Case 99-M-0631 issued and effective September 1, 2000.

Original Leaf No.	184.1.1
Original Leaf No.	184.1.2
Sixth Revised Leaf No.	197.6
Second Revised Leaf No.	197.6.1
Original Leaf No.	197.6.2
Original Leaf No.	197.6.3
Original Leaf No.	197.6.4
Original Leaf No.	197.6.5
Original Leaf No.	197.6.6
Original Leaf No.	197.6.7
Original Leaf No.	197.6.8
Original Leaf No.	197.6.9
Original Leaf No.	197.6.10
Original Leaf No.	197.6.11
Original Leaf No.	197.6.12
Original Leaf No.	197.6.13
Original Leaf No.	197.6.14
Original Leaf No.	197.6.15
Original Leaf No.	197.6.16
Original Leaf No.	197.6.17

To P.S.C. 218 Gas

Effective February 1, 2001

The above order required that each jurisdictional utility provide tariff amendments to allow customer choice of billing entity to be effective on February 1, 2001 for a testing period with limited availability. The tariffs are to provide for choice in billing for all customers no later than April 1, 2001. The customer billing arrangements required by the Commission rely upon a functioning and reliable means of electronic data interchange (EDI) between the Company and the Marketers. The Company is an active participant in the EDI Collaborative which is establishing these EDI processes. The EDI Collaborative has yet to complete its work on the Billing and Usage

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transaction sets which are critical to implementing these tariff leaves. Efforts to implement the requirements of the above Order in advance of a functioning and reliable EDI would result in unnecessary costs to the Company, Marketers, and ultimately customers. Therefore, the Company requests the Commission immediately suspend the effective date of tariff leaves to a date when EDI is functional for usage and billing.

Billing Functions

The Order requires that either entity that issues a combined bill would be responsible for the following billing functions and their associated customer care elements.

- Printing and mailing consolidated bills;
- Printing standard bill messages and forwarding standard bill inserts;
- Receiving and processing payments;
- Apportioning and remitting the non-billing entity*s portion of amounts collected; and
- Providing payment details by account to the non-billing entity.

Rate Ready, Bill Ready Formats

The tariff leaves filed assign these functions to the Marketer when the Marketer is issuing the combined bill and the Company*s Bill Processing Credit is calculated accordingly. The Company provides its calculated charges to the Marketer in a "bill ready" format. When the Company issues the single bill under "Company Single Bill Option" the Company will perform the functions above as well as the additional function of calculating Marketer charges based on rates provided by the Marketer. This "rate ready" format is consistent with existing Billing Service Agreements. At Staff*s Billing Arrangement meeting held in Albany, on September 25, 2000, the Marketer*s interested in the utility single bill appeared to favor a "rate ready" format, which eliminates the Marketer investment in software and hardware necessary to calculate charges.

Purchase of Marketer Accounts Receivable

In the Company Single Bill Option, Niagara Mohawk will satisfy the Marketer remittance and its Creditworthiness Requirements through the purchase of Marketer Accounts Receivable. Again, this approach is consistent with existing Billing Service Agreements, it mitigates legal issues related to debt collections, eliminates co-mingling of Marketer and utility payments and provides benefits to the Company in its credit and financing arrangements. The Company reserves the right to eliminate its requirement to purchase Marketer Accounts Receivable and instead comply with the Creditworthiness Requirements defined in the Order should it choose to do so at a later date.

Combination Customers

When the Commission issued the Orders in this proceeding it did so relying on input which indicated a customer preference for a single bill including both delivery and supply charges. While it is likely most customers will desire the convenience of such a single bill, the Order gives the customer choice in billing options. One choice a Company combined gas and electric customer may make is to have different suppliers for its gas and electricity supply. The customer could request a single bill from the Marketer combining the gas supply and delivery charges and a single bill from the Marketer combining the electric supply and delivery charges resulting in two bills. Alternatively, a combined customer could continue with Company supplied

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electricity or gas and request a Marketer Single Bill Option for the other supply and delivery. Such scenarios, while unlikely, will create complications in allocating and tracking payments received from two different suppliers (even if one supplier is the Company) for Company service provided under one Company account. Some special charges and credits are applied to a customer account and not split by electric and gas services. Some examples are interest on late payment charges, some miscellaneous credits and charges and credits for service guarantees. Because this scenario is first limited to combined gas and electric customers and then further limited to those few that are likely to elect two bills from different suppliers, the Company proposes to split combined accounts into separate gas and electric accounts for the few customers that elect this billing arrangement rather than incur the programming costs to modify its billing system. The Company would apply a charge to cover the administrative costs for splitting and recombining such an account. The charge would be billed to the Marketer whose enrollment resulted in splitting the account. This more fairly charges the limited few that cause the cost, than to incur significant programming costs that would be paid for by all but benefit only a few customers. The work papers supporting the account separation fee are provided in Attachment A included with the Company*s electric companion filing.

Bill Processing Credit

As required by the Order, the Company has calculated a Bill Processing Credit to be applied if the Marketer performs the billing function defined above and renders a single bill to the customer. Details of the development of this credit are provided in the work papers in the Attachments referenced below and included with the Company*s companion electric filing. Bill Processing Credits will only be applicable if the Company does not produce a bill for the customer. For example, a combination electric and gas customer must have their electric commodity, gas supply and delivery charges all billed by an alternative supplier to receive the credit. There are essentially no long run avoided costs if Niagara Mohawk still must render a bill for electric or gas service.

The Bill Processing Credit will be on a per-customer account, per-month basis. The credit assumes the Company provides the billing entity with Bill Ready charges as described above. The bill calculation function remains with the Company. As a result, the utility must continue to maintain the requisite systems necessary to receive meter reading data, calculate charges based on this data and produce a file of charges to be transmitted to the billing entity for printing.

All customer calls regarding its delivery charges will continue to be answered by the Company*s Customer Service Organization either by a direct call from the customer, a call forwarded by the ESCo/Marketer (if the ESCo/Marketer is the billing entity) or a direct call from the ESCo/Marketer on behalf of the customer. The number of customer calls currently received that relate solely to the electricity or gas commodity are minimal. Therefore, no customer care functions were deemed to be avoided.

The Bill Processing Credit consists of the long-run avoided costs for the following items (Detailed work papers provided in Attachment B):

1. Postage;

2. Print costs (paper and envelope);

3. Payment remittance costs;

4. Per piece maintenance charge on print machine;

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5. Annual maintenance on one inserter machine;

6. Labor reduction in the print/mail area.

The source for this information is the Avoided Customer Service Cost Study which was previously filed with the Commission on June 29, 1999, updated for 1999 actuals. Attachment D to the Company*s companion electric filing represents the embedded costs for all Niagara Mohawk Power Corporation*s Billing, Collections, Meter Reading, Call Center, Meter Services, and Payment Remittance functions and includes an allocation of fringes, payroll taxes, and Corporate A & G Costs to the above mentioned functions.

The embedded costs of the competitive billing functions defined by the Commission are presented in Attachment C to the Company*s companion electric filing. A reconciliation of the Customer Account Management Services analysis to PSC Account 901 to 905 is provided in Attachment E to the Company*s companion electric filing.

Incremental Costs of Implementation

The Commission Orders allow utilities to file for recovery of net incremental costs incurred to implement the various customer billing arrangements. While these costs have not yet been incurred and quantified, the Company retains its rights to file for recovery of incremental costs. Such incremental costs may include but are not limited to:

1. Incremental costs associated with continued customer contacts to communicate information (safety, social, legal and customer satisfaction) that will no longer be included in bill inserts because they do not meet the statutory, regulatory or Commission ordered requirements of the Billing Order.

2. Incremental electronic funds transfer fees to receive payments from ESCo/Marketers.

3. The difference between the short-run avoided costs and the unitized long-run avoided costs of the payment remittance function, labor associated with the print/mail function and machine maintenance costs. At this time, the Company still has POLR responsibility and will need to maintain the payment remittance and print/mail functions to bill all Delivery Service customers.

4. Incremental financing costs associated with increased duration of its revenue cycle and/or loss of capability to collateralize its accounts receivable.

5. Any other items that are determined applicable upon further clarification of the Billing Order, results of collaborative efforts with other utilities as required by the Billing Order, the establishment of performance requirements and further clarification of the EDI Order.

Bill Processing Fee

The Commission*s March 22, 2000 order provides that charges that utilities may assess to Marketers for undertaking their billing functions under the "Utility Single Bill" arrangement shall be established based on the utilities* long run incremental costs of providing this service to all its current customers. Attachment F included with the Company*s companion electric filing provides the work papers used to establish this charge for the Company*s Electric Single Bill Option. The Company*s Gas Rate and Restructuring Settlement Agreement in Case 99-G-0336 provides for a Company Single Bill Option for a charge of $.50 per bill. The tariff leaves filed herein have not modified the Company*s Gas Single Bill Option envisioned by the

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settlement agreement. Should a combination customer select the Company Single Bill Option, the Company would charge both the Gas Single Bill Option charge and the Electric Single Bill Charge. The Company*s gas settlement agreement provides the Marketer and Niagara Mohawk the option of entering into an Alternative Billing Service Agreements at a fee mutually agreeable to the Marketer and the Company for levels of service different than the basic Gas Single Bill Option reflected in these tariff leaves.

For any questions regarding this filing, please contact John Powers at (315) 428-5613 or Marcia Collier at (315) 428-5692.

Sincerely,

John T. Powers
Rate Analyst IV

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