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NIAGARA MOHAWK POWER CORPORATION
300 Erie Blvd. West
Syracuse, New York 13202

October 1, 2002

Honorable Janet H. Deixler, Secretary
Public Service Commission
3 Empire State Plaza
Albany, New York 12223

RE: Case No. 01-M-0075
Joint Proposal of Niagara Mohawk Power Corporation, National Grid plc
and National Grid and National Grid USA for Approval of Merger and Stock Acquisition

Dear Secretary Deixler:

Enclosed for filing with the New York State Public Service Commission (the "Commission") is Niagara Mohawk Power Corporation's ("Niagara Mohawk" or "Company") tariff amendments in compliance with the Commission's Opinion No. 01-6, Opinion and Order Authorizing Merger and Adopting Rate Plan, issued and effective December 3, 2001. The amendments do not change the bundled charges or the revenues that Niagara Mohawk collects under the Rate Plan approved by the Commission in this proceeding. However, the amendments are necessary to adjust the allocation of the approved charges between Distribution Delivery and the Competitive Transition Charge (CTC) in accordance with the terms of the Joint Proposal that was approved by the Commission in this proceeding. In addition, today's filing adjusts the percentages of the commodity hedges, also in accordance with the Joint Proposal approved by the Commission in this proceeding.

Identification of Tariff Amendments

Fourteenth Revised Leaf No. 7
Fourteenth Revised Leaf No. 19
Twelfth Revised Leaf No. 59
Ninth Revised Leaf No. 72
Fifteenth Revised Leaf No. 82

To P.S.C. No. 214

Effective: January 1, 2003

Description of the Filing

The purpose of this filing is to change the allocation of the charges in Niagara Mohawk's electric Delivery rates and charges between Distribution Delivery and CTC, effective January 1, 2003. The Company's compliance filing dated January 30, 2002, filed in response to the Commission's Opinion No. 01-6 issued and effective December 3, 2001, implemented the rates and charges that became effective February 1, 2002. The total prices set

forth in these rates and charges will remain in effect through December 31, 2003, when the Joint Proposal contemplates a price adjustment at the time of the CTC reset set forth in Section 1.2.3. However, the Joint Proposal also contemplated that the allocation of the revenues collected under the Rate Plan between CTC charges and other delivery charges would change each year as shown in Attachment 3, Schedule 6 of the November 6, 2002 document. The Distribution Delivery and CTC price components of such Delivery prices were adjusted each year so that Niagara Mohawk recovered its ongoing costs of providing delivery service each year, and recovered the agreed upon amount of stranded costs over the ten-year term of the Joint Proposal. To implement this feature of the Joint Proposal, the Distribution Delivery and CTC components must be revised each year to reflect the proper recovery of revenues associated with these two pricing components.

Accordingly, this filing proposes the revisions to PSC No. 214 Electricity Delivery prices for the calendar year 2003 in accordance with the prices established and presented in Revisions To Joint Proposal, dated November 6, 2001. For each service classification the Distribution Delivery demand or energy rate component has been decreased by the same rate of change that the CTC demand or energy rate component has been increased by. Thus the bundled Delivery prices, defined as the composite of Distribution Delivery and CTC prices, are unchanged from 2002 Delivery prices.

Other Administrative Tariff Changes

In compliance with the filed Tariff, specifically PSC No. 207 Electricity, Rule No. 29-Delivery Charge Adjustment, the Company will implement the 2003 Hedged Percentage Factors effective January 1, 2003. The Rule presents the Hedged Percentage Factors by service classification for each year of the Joint Proposal's term. For 2003 the factors are reduced from 95% to 90% for PSC No.207 SC-2 Demand, from 80% to 50% for PSC Nos. SC-3, SC-4 and SC-5 less than 2 MW, and from 95% to 90% for all service classifications under PSC No. 214 Electricity. All other 2002 factors currently in effect will remain unchanged. The Hedged Percentage Factors are applied to the Delivery Charge Adjustment (DCA) that reconciles the Company's actual Electricity Supply Cost with the forecast Electricity Supply Cost upon which the CTC was established. The DCA is applicable to customers served under the Company's Standard Rate Service program as defined in Rule No. 48 of PSC No. 207 Electricity.

The companion PSC No. 207 Electricity filing is being issued today under separate cover.

Newspaper Publication

Newspaper publication will be made on October 17, 24, and 31 and November 7, 2002 in accordance with Public Service Law 66(12)(b).

Inquires about this Filing

Anyone with questions regarding this filing may call or write the undersigned. Copies of this filing will be served on all active parties in the proceedings by U.S. Mail.

Respectfully submitted

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GAB
Attachments
Xc: Hon. Joel A. Linsider, Administrative Law Judge
All Active Parties