

..DID: 15459  
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NIAGARA MOHAWK POWER CORPORATION  
300 Erie Blvd. West  
Syracuse, New York 13202

April 27, 2001

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

RE: Case Nos. 94-E-0098 and 94-E-0099  
Proceedings on Motion of the Commission as to the Rates  
Charges, Rules and Regulations of Niagara Mohawk Power Corporation  
for Electric Service and Electric Street Lighting Service

Dear Secretary Deixler:

Enclosed for filing with the New York State Public Service Commission (the "Commission") are Niagara Mohawk Power Corporation's ("Niagara Mohawk" or "Company") tariff amendments and schedules in compliance with the Commission's: 1) Opinion No. 98-8, Opinion and Order Adopting Terms of the Settlement Subject to Modifications and Conditions, issued and effective March 29, 1998, and 2) Order Concerning Tariff Amendments Setting Rates for All Customer Classes and Implementing a Retail Access Program, issued and effective August 26, 1998.

Identification of Tariff Leaves

Eleventh Revised Leaf No. 7  
Seventh Revised Leaf No. 9  
Fifth Revised Leaf No. 10  
First Revised Leaf No. 14.1  
Eleventh Revised Leaf No. 19  
Fifth Revised Leaf No. 22  
First Revised Leaf No. 33.1  
Ninth Revised Leaf No. 59  
First Revised Leaf No. 67.1  
Thirteenth Revised Leaf No. 73  
Twelfth Revised Leaf No. 82  
Fifth Revised Leaf No. 85  
Sixth Revised Leaf No. 86  
Third Revised Leaf No. 87  
First Revised Leaf No. 95.1

Statement of Negative Competitive Transition Charge:

Statement No. 2

To PSC No. 214 Electricity

Effective: September 1, 2001

Relationship of this Compliance Filing to Pending Merger

A petition for approval of the merger of Niagara Mohawk's parent, Niagara Mohawk Holdings, Inc., into the National Grid holding company system is pending before the Commission in Case No. 01-M-0075. Under consideration in that proceeding is a Joint Proposal for a long-term rate plan. (the

petition and the rate plan hereinafter the "Merger Petition".) This compliance filing is entirely independent of the Merger Petition. As further explained below, Niagara Mohawk is required under the terms of prior Commission orders to make this compliance filing at this time. The pendency of the proposed merger does not affect this obligation on the part of Niagara Mohawk.

While Niagara Mohawk's compliance filing is independent of the Niagara Mohawk/National Grid Merger Petition, Niagara Mohawk has endeavored to ensure consistency between this filing and that Petition to the greatest extent possible. For example, Niagara Mohawk's compliance filing is based on the same sales forecast as the merger rate plan (adjusted to a rate year basis). The revenue forecast is the same as that set forth in the Merger Petition, with one major exception. As will be further explained under "Proposed Unbundled Prices for P.S.C. No. 207 Electricity", the compliance filing reflects no change in rates for delivery service even though Niagara Mohawk is entitled to seek one percent increases in non-commodity charges to be effective in the fourth and fifth years of the Power Choice Settlement Agreement, which was approved, with modifications, in Opinion No. 98-8 (the Settlement, as approved, being referred to hereinafter as "Power Choice.") Niagara Mohawk believes it could fully justify one percent delivery rate increases for the fourth and fifth years of Power Choice. The Company believes that the Merger Petition, if approved, would allow it to forego the one-percent non-commodity price increases allowed under Power Choice. If, however, the Merger Petition is not approved for any reason, the Company reserves the right to file for the non-commodity price increases allowed under Power Choice.

It should be noted that the overall rate increases proposed in Niagara Mohawk's compliance filing result entirely from changes in the commodity costs, which in turn, are driven by increased ISO charges, increases in certain IPP contracts which are indexed to the price of natural gas, and increased market purchases due to the scheduled expiration of certain supply contracts. Niagara Mohawk furthermore is proposing no rate design changes (e.g., increased customer charges) even though the Company believes such adjustments would be cost-justified.

It also should be noted that this compliance filing provides for the levelization of electric commodity rates for the two years addressed by the filing. Levelized commodity pricing for Power Choice years 4 and 5 will shield customers from projected year-to-year fluctuations in forecasted commodity, thereby minimizing customer disruption and confusion.

#### Description of Filing

This filing constitutes Niagara Mohawk's compliance with certain of the Commission's directives associated with the implementation of Power Choice. Specifically, the Settlement Agreement's Section 4.15 - Annual Tariff Filings, states that during the term of the Settlement Agreement the Company should make annual tariff filings to be effective on each anniversary of the Power Choice Implementation date ("PID"). The initial PID was September 1, 1998. Section 4.15 also states that the annual filings should be issued to the Commission approximately 120 days prior to the effective date and should reflect the terms of the Agreement. Accordingly, this filing proposes PSC No. 214 Electricity prices and rule changes that would become effective September 1, 2001 and remain in effect during the fourth and fifth years of the Agreement's term, or the rate years for the twelve months ending August 31, 2002 and the twelve months ending August 31, 2003, respectively.

In accordance with the Settlement Agreement and associated Commission directives, this filing addresses the topics listed below. A detailed explanation of these topics and their impacts on PSC No. 214 are contained within the companion PSC No. 207 filing being issued to the Commission on this date.

1. Sales Forecast
2. Proposed Unbundled Rates
3. Proposed revisions to Rule No. 29 - Delivery Charge Adjustment
4. Proposed recovery of the State Income Tax (SIT) revenue
5. Revisions to Rule No. 39 Retail Access Program to eliminate reimbursement of ESCo ancillary service and NTAC costs.
6. Elimination of Rule No. 42 - Customer Service Back-out Credit
7. Proposed Rule No. 43 - Transmission Revenue Adjustment Charge
8. Proposed revisions to Rule No. 46- Electricity Supply Cost (ESCost)
9. Proposed revisions to Rule No. 48 - Administration of Standard Rate Service and Market Rate Service
10. Elimination of Rule No. 49 - Adjustments to Charges Pursuant to the Negative Competitive Transition Charge Mechanism

Newspaper Publication

Newspaper publication will be made in accordance with 16 NYCRR 136.70 on May 23, 30, June 6 and 13, 2001.

Exhibits and Workpapers

Exhibits and workpapers that support the PSC No. 214 service classification's rate designs are included with the companion PSC No. 207 compliance filing being filed under separate cover with the Public Service Commission on this date.

Inquiries on this Filing

Anyone with questions regarding this filing may contact the undersigned.

Very truly yours,

George A. Bauman  
Manager - Rate Administration

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Enclosure  
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