

..DID: 8497  
..TXT:

**NIAGARA MOHAWK POWER CORPORATION**  
April 30, 1999

Honorable Debra Renner  
Secretary  
State of New York  
Department of Public Service  
Three Empire Plaza  
Albany, New York 12223

Dear Secretary Renner:

Attached for filing in accordance with the requirements of the Public Service Commission of the State of New York are the following tariff leaves:

Fifth Revised Leaf No.	134
Fourth Revised Leaf No.	135
First Revised Leaf No.	136
Fourth Revised Leaf No.	137
Original Leaf No.	137.1
Fourth Revised Leaf No.	140

To P.S.C. No. 218 Gas

Effective: July 30, 1999

The tariff leaves filed herein are being filed to comply with the Commission's Proposed "Policy Statement Concerning the Future of the Natural Gas Industry In New York State and Order Terminating Capacity Assignment" issued on November 3, 1998, as well as the Company's March 11, 1999 Restructuring filing which has been designated Case 99-G-0336.

The purpose of the tariff revisions is to unbundle gas rates as contemplated in item 4(i) on Page 8 of the Commission's Policy Statement. The Policy statement required New York State LDC's to further unbundle rates in order to separate distribution and gas purchase(upstream) costs. The Company's intention to unbundle rates is also further described on Page 19 of its March 11, 1999, Restructuring filing.

The Company proposes to unbundle gas rates at this time in order to do so at consistent time frames with unbundling of its electric rates. This timing will facilitate communication to customers and will therefore result in less customer confusion and lower total communication costs.

The Company's filing separates the bundled blocked rates for Service Classification Nos. 1, 2 and 3 into three components: Commodity Cost of Gas incurred from Producer Suppliers, Fixed Charges incurred from interstate pipeline transportation companies and Distribution Charges on Niagara Mohawk's system.

Attachment No. 1 sets forth an actual Niagara Mohawk bill currently rendered to a SC 1 Residential Heating customer. The Attachment shows the bill the customer would have received based on bundled rates and the bill the customer would have received with

unbundled rates. Both bills result in a total bill of \$160.85 based on usage of 307 therms. Page 2 of 2, of Attachment No. 1 sets forth the detailed calculation which would result in the Gas Supply Service Costs now separately displayed on the customers bill. The Gas Supply Service Costs would be equal to the Commodity Cost of Gas and Interstate Pipeline Fixed Charge components of the base rate plus the Commodity Cost Adjustment Clause charges.

Attachment No. 2 sets forth a similar bill display at bundled SC 2 rates for a commercial heating customer using 28,783 therms and the proposed unbundled bill for the same customer. Both bills result in a total bill of \$12,959.20. Page 2 of 2, of Attachment No. 2 again sets forth the calculation of the Gas Supply Service Costs now proposed to be separately displayed on the customers bill.

The Company has worked extensively with the Consumer's Services Division of the Public Service Commission in connection with its electric unbundling and has already contacted the Consumer Services Division to review its bill display proposal for unbundled gas rates.

Attachment 3 & 4 sets forth the calculation of the Company's unbundled sales rates as reflected in the Company's filing. The Commodity Cost Component set forth on the tariff leaves filed herein is equal to the Company's current base commodity cost of gas adjusted for its current allowed loss factor of 1.91%. The fixed cost component is equal to the fixed costs rolled into base rates in the Company's previous rate proceeding, Case 95-G-1095.

The attachments referred to in this filing letter will not be available on the Public Service Commission's Web Site. Instead, they will be available from the tariff analysis section of the Public Service Commission.

Newspaper publication of the proposed changes will be made in accordance with 16 NYCRR 236.70 on May 19, 26, June 2 and June 9, 1999.

The notice required by the State Administrative Procedure Act is enclosed.

Please advise the undersigned of any action taken in regards to this filing.

Sincerely,

Marcia G. Collier  
Manager Gas Rates

Lett69