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NIAGARA MOHAWK POWER CORPORATION
A **National Grid** Company
300 Erie Boulevard West
Syracuse, New York 13202
September 23, 2002

Honorable Janet Hand Deixler
State of New York
Public Service Commission
Office of the Secretary, 19th Floor
Three Empire State Plaza
Albany, NY 12223

RE: Case No. 02-G-0952

Dear Secretary Deixler:

The attached tariff leaves, issued by Niagara Mohawk are transmitted for filing in accordance with the requirements of the Public Service Commission, State of New York:

Ninth Revised Leaf No. 108
Fourth Revised Leaf No. 184.2
Second Revised Leaf No. 191.1
Eighth Revised Leaf No. 192
Eighth Revised Leaf No. 193

To P.S.C. No. 218 Gas

Effective: October 24, 2002

Purpose

The purpose of this filing is to amend certain tariff leaves filed on July 24, 2002 and designated Case No. 02-G-0952, implementing Minimum Storage Inventory Levels applicable to Gas Marketers providing Monthly Balancing Service under Service Classification 11 of PSC 218 Gas.

Explanation of Filing

On July 24, 2002 the Company filed tariff revisions with the PSC to implement Minimum Storage Inventory Levels (MSIL) to be maintained by Marketers providing Monthly Balancing Service. The July 24 filing has been designated Case No. 02-G-0952. The intent of the July 24 MSIL filing was to insure that Niagara Mohawk has the ability to: 1) Provide sales service to Monthly Balanced customers returned to Niagara Mohawk during the winter season and, 2) Protect Niagara Mohawk's existing sales service customers from any potential adverse economic impact resulting from customers returning to Niagara Mohawk sales service without adequate levels of gas in storage to meet the customers supply and demand needs.

On September 5, 2002 Niagara Mohawk conducted a conference call with Marketers and DPS Staff to solicit comments on the MSIL filing. During that call, Marketers identified several concerns with the Company's original proposal. First, Marketers were concerned that the filing would impose limits on

the effective use of their portfolio of supply assets by limiting the use of the released DTI storage. Second, one Marketer objected to providing Niagara Mohawk, and potentially its asset manager, with competitively sensitive information regarding their wholesale assets.

In response to the concerns expressed by the Marketers, Niagara Mohawk is filing the enclosed revised proposed tariff leaves to provide flexibility to Marketers while at the same time protect existing Niagara Mohawk sales customers from potential adverse economic impact.

First, to address marketers concerns over operational constraints and to provide some flexibility, Provision d. Minimum Storage Requirements found on enclosed Leaf Nos. 191.1, 192, and 193 has been revised. The purpose of this revision is to afford marketers the choice to elect not to maintain Minimum Storage Inventory Levels in accordance with the table on Leaf 191.1 so long as the Marketer provides financial security to the Company. In addition, a confidentiality clause to protect what one Marketer deems competitively sensitive information has been added.

Second, again to address Marketers concerns over operational constraints, the first step on the MSIL table on the enclosed Tariff Leaf 191.1 has been revised to be October 1 through October 31, and the last step of the MSIL table is revised to multiply the resulting Marketer MPDQ calculation by 15% rather than the 10% as originally filed.

Third, the penalty charge and the Company's ability to freeze a Marketer's storage assets as originally proposed have been eliminated.

Finally, minor changes have been made to enclosed Leaf Nos. 108 and 184.2 to eliminate the word "penalty" and to add a definition for the "Three Year Winter Average Gas Daily North Point/Mid Point Price" respectively.

Revenue Treatment

Any resulting revenues invoiced and/or recovered under the MSIL provision will be refunded to customers taking Gas Supply Service under S.C. Nos. 1, 2 and 3 in accordance with Tariff Rule 17.8.

Waiver of newspaper publication as required in 16NYCRR 720-8.1 is requested due to the fact that the Company will be notifying all affected participating Marketers directly via electronic mail.

Please address any questions regarding this filing directly to Lee Klosowski at (315) 428-5903. Please advise the undersigned of any action taken in regards to this filing.

Sincerely,

John T. Powers
Gas Rate Analyst

JTP/jsc (L:Tariff/218tarif/wpfiles/letters/Lett227)