

..DID: 20022
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NIAGARA MOHAWK POWER CORPORATION
A **National Grid** Company
300 Erie Boulevard West
Syracuse, New York 13202
July 24, 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

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:

Eighth Revised Leaf No. 108
Third Revised Leaf No. 184.2
First Revised Leaf No. 191.1
Seventh Revised Leaf No. 192
Seventh Revised Leaf No. 193
Eleventh Revised Leaf No. 194
Fifth Revised Leaf No. 194.1
Ninth Revised Leaf No. 195
Seventh Revised Leaf No. 196

To P.S.C. No. 218 Gas

Effective: October 24, 2002

Purpose

The purpose of this filing is to require Marketers providing Monthly Balancing Service under Service Classification No. 11 of PSC 218 Gas to maintain Minimum Storage Inventory Levels (MSIL) as set forth in the attached tariff leaves and to require that Marketers provide the Company the permission necessary to access Marketers* gas storage balance information on upstream storage operators.

Explanation of Filing

Currently, Niagara Mohawk does not have access to Marketers* storage balances since storage operators require Marketers* permission to release such information. It is the Company*s intention to utilize the storage balance information to prevent Marketers from using storage gas inappropriately. For example, on at least two occasions Marketers used their storage gas to meet daily demands, rather than using a combination of flowing supply and storage. These Marketers then filed for bankruptcy, resulting in the return of their customers to Niagara Mohawk*s sales service, along with the remaining gas in storage. On both occasions there was insufficient gas in storage to fulfill the customers* demand for the remainder of the winter season, which could have led to a reliability issue. Specifically, this situation, had it happened on a large scale would cause Niagara Mohawk to be required to

purchase gas in the market place and potentially at extremely high prices. For this reason, minimum storage requirements must be monitored and maintained.

Revenue Treatment

Failure to maintain the MSIL will result in penalty charges as set forth in Paragraph d of Leaf 192. Any resulting penalty revenues recovered under the MSIL provision will be refunded to customers taking Gas Supply Service under SC 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 of the proposed tariff changes via certified letter.

A State Administrative Procedures Act (SAPA) Notice is enclosed for publication in the State Register.

Please address any questions regarding this filing directly to Lee Klosowski at (315) 460-4060. 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/Lett212)