

..DID: 7221
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NIAGARA MOHAWK POWER CORPORATION

January 29, 1999

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

Dear Acting 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:

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|-------------------------|-------|
| Fourth Revised Leaf No. | 93 |
| First Revised Leaf No. | 94 |
| First Revised Leaf No. | 95 |
| First Revised Leaf No. | 96 |
| First Revised Leaf No. | 97 |
| First Revised Leaf No. | 98 |
| First Revised Leaf No. | 99 |
| First Revised Leaf No. | 100 |
| Second Revised Leaf No. | 101 |
| Third Revised Leaf No. | 102 |
| First Revised Leaf No. | 103 |
| Third Revised Leaf No. | 104 |
| Third Revised Leaf No. | 105 |
| First Revised Leaf No. | 106 |
| Third Revised Leaf No. | 107 |
| Third Revised Leaf No. | 108 |
| Second Revised Leaf No. | 108.1 |
| First Revised Leaf No. | 153 |
| Fourth Revised Leaf No. | 154 |
| Second Revised Leaf No. | 160 |
| Second Revised Leaf No. | 162 |
| Second Revised Leaf No. | 166 |
| Second Revised Leaf No. | 201 |
| Second Revised Leaf No. | 204 |

To P.S.C. No. 218

Effective: November 1, 1999

On November 3, 1998, the Commission issued its "Policy Statement Concerning the Future of the Natural Gas Industry in New York State and Order Terminating Capacity Assignment" (Policy Statement). The Commission's Policy Statement eliminated mandatory capacity assignment effective April 1, 1999. In addition, the Policy Statement required LDCs to file proposed tariffs by no later than February 1, 1999, to conform to the requirement of the

elimination of mandatory capacity assignment. The Commission's Policy Statement, among other items, required a plan to mitigate and manage stranded costs. Staff has informed the parties to Reliability Collaborative initiated pursuant to the Policy Statement that the February 1, 1999 filing must include a mechanism to address stranded cost recovery. See Stranded Cost Allocation Notice (January 7, 1999).

On October 16, 1998, as further revised on November 11, 1998, the Company filed a Pilot Program which implemented a limited waiver of mandatory upstream interstate pipeline capacity assignment and a stranded cost surcharge effective December 1, 1998. This filing was approved by the Commission on November 4 and November 13, 1998. Concurrently with this filing, the Company is filing the necessary changes to its Pilot Program to implement elimination of mandatory assignment of capacity upstream of CNG Transmission Corporation (CNG). Consistent with the Commission's orders approving the Pilot Program, and the Company's December 31, 1998 demonstration that its specific operational and reliability requirements continue to warrant mandatory assignment of capacity on CNG, the Company's filing continues mandatory assignment of CNG capacity unless certain conditions are met. This filing is proposed effective April 1, 1999.

The Company hereby provides notice of its desire to continue assignment of CNG capacity beyond October 31, 1999 due to the aforementioned operational and reliability requirements.

The tariff leaves filed herein propose the modification of the Company's partial passthrough gas adjustment mechanism to a full passthrough GAC mechanism to become effective on November 1, 1999, which corresponds to the end of the Company's current multi-year rate plan in Case 95-G-1095. Establishing the full passthrough GAC will enable the Company to manage and recover its gas costs that otherwise would be stranded as a result of the Commission's Policy Statement directives to eliminate mandatory capacity assignment and exit the merchant function. The Company also notes that the Contingency Reserve Account established in Case No. 95-G-1095 will be eliminated effective November 1, 1999.

Newspaper publication of the proposed changes, as required by NYCRR 270.70, will be made on February 10, 17, 24 and March 3, 1999.

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

Please advise me of any actions taken on this filing. I can be reached at 315-428-5777.

Sincerely,

Marcia G. Collier
Manager Gas Rates