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national fuel

March 13, 2006

Hon. Jaclyn A. Brilling
Secretary
Public Service Commission
Three Empire State Plaza
Albany, NY 12123-1350

Re: Case No. 03-G-1392 – Compliance Filing
National Fuel Gas Distribution Corporation

Dear Secretary Brilling:

National Fuel Gas Distribution Corporation ("Distribution" or "the Company") submits the following amendments to its tariff, P.S.C. No. 8 – GAS:

Leaf No. 288	Revision 6
Leaf No. 288.1	Revision 2

These leaves are filed in compliance with the November 23, 2005 Commission order in Case No. 03-G-1392 ("Order") establishing the methodology for calculating a value-added charge ("VAC") for gas-for-electric generation tariffs of New York local gas distribution companies ("LDCs"). The effective date of the proposed revisions is March 15, 2006.

The Order directs that certain LDCs, including Distribution, file tariff amendments on not less than one day's notice effective on March 15, 2006 implementing a VAC consistent with the requirements discussed in the Order.

Accordingly, Distribution is revising its Service Classification No. 21, Basic Gas-For-Electric-Generation-Service, so that the VAC will be calculated as follows:

1) The VAC would be fixed for one calendar year based on actual data for a prior 12-month period. Order at p. 6.

2) The VAC would be effective each May 1 based on a VAC year beginning each January 1. Order at p. 14.

3) The VAC would be recalculated each year based on data experienced during the year and a prospective volumetric unit adjustment to the VAC would be calculated and added to the VAC. Order at pp. 6, 7.

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4) The VAC calculation would be made on an hourly basis using the first full year of Independent System Operator ("ISO") operation as the base year, and be symmetrical with the constraint that the monthly VAC value would not be negative for any month included in the VAC calculation. Order at p. 6.

5) Spark spread values for the first full year of ISO operation would be used at an assumed heat rate and using actual gas prices. Order at p. 6.

6) The gas prices used in calculating the spark spread would be the most appropriate regional gas price index. Order at p. 6. For Distribution, the most appropriate gas price index would be the Dominion South Point Index. Order at p. 10. The daily average of the high and midpoint prices shall be used in the spark spread calculation. Order at p. 10.

7) The electric price used in calculating the spark spread shall be the appropriate zonal electric price. Order at p. 6. For Distribution, the most appropriate zonal electric price is the price for Western New York zone. Order at p. 10.

8) The VAC charge value for each hour is equal to five (5) percent of the difference between the base year average annual spark spread and the actual hourly spark spread calculated during the test period. Each hourly VAC value would be summed for the month. If a monthly VAC value was negative, it would become zero. The sum of the monthly values would become the annual value. Order at p. 6.

9) The base year spark spread will equal the average annual spark spread for all 8,760 hours of operation during the base period. Order at p. 6.

10) The Order requires that one of four proxy heat rates be utilized in calculating the VAC for a customer. The heat rate utilized would depend on the generating facility operated by the customer. The proxy heat rates include:

TIER 1: 17.5 mm BTU/kW-hour for older simple cycle peaking units

TIER 2: 11.0 mm BTU/kW-hour for Rankine cycle steam units

TIER 3: 10.0 m BTU/kW-hour for new, simple cycle peaking units

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TIER 4: 7.4 mm BTU/kW-hour for combined cycle plants

Order at pp. 6, 11.

The requirement of Section 66(12)(b) of the Public Service Law as to newspaper publication of the proposed amendments is waived. Order at p. 17.

For questions relating to this filing, please contact the undersigned at (716) 857-7000.

Respectfully submitted,

Eric H. Meinl