

Niagara Mohawk

A **National Grid** Company



December 1, 2003

Honorable Jaclyn A. Brillling, Acting Secretary
State of New York
Public Service Commission
Office of the Secretary, 19th Floor
Three Empire State Plaza
Albany, NY 12223

RE: Case No. 00-M-1556, 00-G-1586, 00-G-1614
Order Implementing Tax Law Changes

Dear Acting Secretary Brillling:

Enclosed for filing with the Commission are an original and three copies of Niagara Mohawk Power Corporation's (Niagara Mohawk or Company) tariff amendments and Statement being filed in compliance with the Public Service Commission's Order in the above mentioned case numbers issued and effective December 21, 2000.

Statement of Revenue Tax Surcharge - Statement No. 11

To P.S.C. No. 214 Electricity

Effective: January 1, 2004

This filing constitutes the Company's compliance with recent tax changes included in the 2000-2001 New York State Budget. These changes, when fully implemented by 2005, are expected to reduce the state and local tax burden on electric, gas, water and steam utility tax bills by about \$330 million annually.

Also, on July 30, 2003 the Department of Public Service, Office of Accounting and Finance authorized the Company to pass back to Customers \$1,500,000 during the taxable year ending December 31, 2004. This pass back was authorized by the Commission in Case No. 00-M-1556, Ordering Clause No. 7. This Ordering Clause directed the Director of the Office of Accounting and Finance to audit the annual reconciliation of tax amounts charged and deferred amount of tax expenses payable provided by the utility and provide notice of any approved difference between estimated and actual tax expense. This approved difference, as per Ordering Clause 8 of this Order, is to be used to calculate the surcharge in the following year. The amount above was included in the calculation of the surcharge factor for collection of New York State Taxes in the above Statement No. 11. Attachment No. 1, included with the companion PSC No.207 Filing, shows the derivation of these surcharges.

The Company is also updating the language in Nineteenth Revised Leaf No. 67, included with the companion PSC No.207 filing, to be coincident with the methodology that the current billing system is using to apply the Gross Revenue Tax Rate. The revision changes the application of the rate from a divisor to a percentage factor as shown on the bills currently being provided to Customers. This percentage factor is the same factor that is currently being presented on the Gas Statement of Revenue Tax Surcharge.

Because the revision to the above leaf is of a conforming nature, the Company is requesting that this leaf become effective on less than statutory time, on thirty days notice, to be concurrent with the effective date of the attached Statements since there is no revenue impact on Customers or their bills.

Also as per Ordering Clause No. 2 of the above Order, the requirements of §66(12)(b) of the Public Service Law as to newspaper publication of the tariff revisions is waived.

Please advise the undersigned of any action taken with respect to this filing.

Sincerely,

George A. Bauman
Supervisor –
Regulatory and Tariff Administration
Electric Pricing Department

GAB/PJR
ATTACHMENT