

NIAGARA MOHAWK POWER CORPORATION  
A **National Grid** Company  
300 Erie Boulevard West  
Syracuse, New York 13202  
January 6, 2005

Honorable Jaclyn A. Brilling, Secretary  
State of New York  
Public Service Commission  
Office of the Secretary, 19th Floor  
Three Empire State Plaza  
Albany, NY 12223-1350

Dear Secretary Brilling:

The enclosed tariff leaves, issued by Niagara Mohawk Power Corporation, A National Grid Company ("Company"), are transmitted for filing in accordance with the requirements of the Public Service Commission of the State of New York ("Commission").

First Revised Leaf No. 91  
First Revised Leaf No. 92  
Third Revised Leaf No. 96

To PSC No. 219 Gas

Effective: April 18, 2005

The enclosed revised tariff leaves are transmitted for filing in order to clarify the Company's Portfolio Management Sharing Mechanism referenced in Rule 17 of its PSC No. 219 Gas Tariff – Adjustment of Rates in Accordance with Changes in the Cost of Purchased Gas.

The Company had previously been operating under a Gas Supply Portfolio Management arrangement for the period November 1, 2000 through and including October 31, 2002. That agreement expired according to its own terms on November 1, 2002. During the period November 1, 2002 through and including October 31, 2004, the Company performed its gas supply acquisition/optimization in-house. The Company has recently entered into Portfolio Management agreements which cover the period November 1, 2004 through October 31, 2005. Prior to entering into the contract, the Company discussed the terms of the contract with the DPS Staff. In obtaining comments from the DPS Staff regarding the contract, the Company agreed, at the request of the Staff, to modify its optimization revenue sharing mechanism that is contained in the Company's existing Rule 17.3.4. The DPS Staff has not taken any objection to the Portfolio Management Contract as amended.

The Company's existing Rule 17.3.4 defines the Average Demand Cost of Gas component of the Monthly Cost of Gas Rate (MCG) charged to customers purchasing commodity from the Company and filed with the Commission monthly. The tariff modification, included herein, clarifies that the 85/15 sharing between Niagara Mohawk customers and Niagara Mohawk shareholders will not take place until customers have received the first \$500,000 of annual optimization proceeds that is provided by the Portfolio Manager to the Company under the terms of the contract.

The modification to Tariff Leaf 96 provides for a corresponding change to the Company's Annual Surcharge or Refund Provision set forth in Rule 17.7.

The notice required by the State Administrative Procedures Act ("SAPA") is enclosed for this filing.

The Company requests waiver of newspaper publication of the proposed changes as required by 16NYCRR 720-8.1 in that the modification is a clarifying change only, is consistent with the Company's existing practice, and therefore has no material effect on the Company's ratepayers.

Please advise the undersigned of any action taken in regards to this filing.

Sincerely,

Marcia G. Collier  
Manager, Gas Pricing

MGC/jsc (S:Tariffs/219Tariff/Docfiles/Letters/Lett77)