

NIAGARA MOHAWK POWER CORPORATION
A **National Grid** Company
300 Erie Boulevard West
Syracuse, New York 13202
July 28, 2004

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

RE: Case No. 01-M-0075

Dear Secretary Brilling:

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:

Second Revised Leaf No. 124
Second Revised Leaf No. 129
Second Revised Leaf No. 141
First Revised Leaf No. 145

To PSC No. 219 Gas

Effective: September 1, 2004

Purpose

The purpose of this filing is to comply with Paragraph 1.6.7.1 and 1.6.7.5 of the Company's Joint Proposal filed on October 11, 2001 in Case 01-M-0075 and approved by the Commission in Opinion 01-6 issued and effective December 3, 2001.

Explanation of Filing

Miscellaneous Tariff and Rate Design Issues

Paragraph 1.6.7.1 provides for certain rate design changes to become effective September 1, 2004. Specifically, paragraph 1.6.7.1 calls for the minimum charge for SC1 Non-Heating customers to be increased by \$1.48 from \$13.07 to \$14.55 monthly effective September 1, 2004. For heating customers, paragraph 1.6.7 calls for the minimum charge to remain unchanged at \$14.55. The increase in the customer charges is to be implemented on a revenue-neutral basis by reducing the unit rate in the first block after the minimum charge. However, the rates as stated in the Joint Proposal Paragraph 1.6.7.1 did not contemplate the effect of the Roll-In of State Net Income Taxes to delivery rates implemented September 1, 2003 as provided for in Paragraph 1.6.1.2. Therefore, the minimum charge for SC1 non-heating customers is proposed to be increased by \$1.51 effective September 1, 2004 from \$13.20 to \$14.71. A reduction of (\$0.00388) from \$0.35309 to \$0.34921 has been made to the first block after the minimum charge negating the customer charge increase. As proposed, the SC1 Non-Heat delivery rate design becomes equal to the SC1 Heat delivery rates effective September 1, 2004 as originally contemplated in the Settlement Agreement.

Finally, the filing includes changes for former Syracuse Suburban Gas Company customers as provided for by Paragraph 1.6.7.5. Paragraph 1.6.7.5 provides for the implementation of a \$350.00 administrative charge for the first 100 therms or less for former customers of Syracuse Suburban Gas Company taking service on SC6 to be effective September 1, 2004. Furthermore, in continuation of a process set out in the Gas Settlement in Case 99-G-0336, Paragraph 1.6.7.5 allows for rate changes to implement the fifth step of a six year phase-in of the delivery rates applicable to former Syracuse Suburban Gas Company customers taking SC1, SC2 and SC5 gas service to be effective September 1, 2004. All incremental revenue resulting from the process to eliminate the Niagara Mohawk/Suburban rate differential will continue to be credited to the Company's Gas Contingency Reserve Account.

Advertising

Newspaper publication of the proposed tariff changes will be made in accordance with 16NYCRR 720-8.1 on August 11, 18, 25, and September 1, 2004.

Copies of the rate design workpapers and associated bill impacts have been mailed directly to the Commission Staff.

Please address any questions regarding this filing directly to the undersigned at (315) 428-5692 or John Powers at (315) 428-5613. 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\docfile\letters\lett56)

Xc: Lyle Van Vranken
Cynthia McCarran
Active Party List – Case Nos. 01-M-0075 & 99-G-0336