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national fuel

December 29, 2005

Hon. Jaclyn A. Brilling, Secretary
Public Service Commission
Three Empire State Plaza
Albany, NY 12223-1350

Re: Case No. 02-G-0858 – National Fuel Gas Distribution Corporation

Dear Secretary Brilling:

National Fuel Gas Distribution Corporation ("Distribution" or the "Company") submits the following revisions to its tariff, PSC No. 8 - GAS:

Leaf No. 148.6 Revision No. 6

The proposed tariff amendments are issued on one day's notice as of today for an effective date of March 29, 2006.

Explanation of Filing

On March 20, 2003 the Commission approved, with modification, the Company's "Partnership for Distributed Generation" pilot program in Case 02-G-0858.[1] Under that Order the Commission required a three-year term for the pilot. Under the current tariff leaf, Distribution's pilot program is scheduled to end March 31, 2006. With this filing the Company requests that the pilot program be extended for an additional three years for an end date of March 31, 2009.

All other requirements of the program would continue, including reporting requirements and the cap on total facility cost buydowns for the program of $3 million.

[1] Case 02-G-0858, Tariff Filing by National Fuel Gas Distribution Corporation to establish a "Partnership for Distributed Generation" pilot program, Order Approving Distributed Generation Pilot Program with Modifications (issued and effective March 20, 2003).

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As explained in the March 20, 2003 order "The Company believes that its endorsement and involvement with the DG process, combined with a shorter payback period, will attract customers to the pilot program."[2] The pilot to date, has provided information expected in the March 20, 2003 Order, including:

- Documentation on project economics.
- Demonstration of DG system reliability.
- Introduction to local trades regarding design engineering and construction of DG facilities.
- An increased understanding of best practices, customer acceptance and awareness, and electronic interface issues.

To date the Company has five customers participating in the program. The total amount of facility cost buydowns provided to these five projects is $433,000. This is well within the $3 million limitation established in the program.

In its March 20, 2003 Order the Commission approved the program with modifications because it anticipates "benefits to the state-wide energy program from DG applications."[3] The Company believes that ending its program on March 31, 2006 would stall the development of DG applications in its service territory.

Further, given that the actual amount of DG facility buydown costs has been well below the $3 million limitation in the tariff, the Company does not see any reason to end the program at this time.

Finally, it is the Company's understanding that National Grid will soon update its DG standby rates. It is hoped that the National Grid update of its DG standby rates will engender additional interest in DG applications in the Company's service territory. Given the continuing evolution of the DG market place, the Company believes that the continuation of its Partnership for DG program will provide valuable information on the potential for DG development over the next three years.

For the reasons stated above, as well as the reasons articulated in the Commission's March 20, 2003 Order, the Company's Partnership for DG program should be continued for an additional three years.

[2] Id. at pg. 2.
[3] Id. at pg. 6.

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Company Contact

For questions relating to this filing, please contact the undersigned at (716) 857-7805.

Respectfully submitted,

Eric H. Meinl

Enclosure