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**NATIONAL FUEL GAS DISTRIBUTION CORPORATION**

*10 Lafayette Square*

*Buffalo, NY 14203*

May 14, 1999

Hon. Debra Renner  
Acting Secretary  
Public Service Commission  
Three Empire State Plaza  
Albany, New York 12123-1350

Re: Case No. 98-G-0122 - Compliance Filing

Dear Secretary Renner:

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

Leaf No. 3	Revision 4
Leaf No. 287	Revision 2
Leaf No. 288	Revision 2
Leaf No. 289	Revision 2
Leaf No. 290	Revision 0
Leaf No. 291	Revision 0
Leaf No. 292	Revision 0
Leaf No. 293	Revision 0

The proposed revisions are issued as of today for an effective date of May 15, 1999.

Description of Proposed Amendments; Background

This filing is submitted in compliance with the Commission's order, issued in Case 98-G-0122, adopting a Staff proposal for a uniform basic-gas-for-electric-generation-service tariff

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("Order").<sup>1</sup> Toward that end, Distribution is proposing to add an additional service classification ("S.C.") to its tariff: S.C. No. 21, Basic Gas-For-Electric-Generation-Service Tariff. S.C. No. 21 meets or exceeds all of the tariff design requirements adopted by the Commission as provided in Appendix 1, Page 3, of the Order.

Distribution's proposed tariff language provides for flexibility in establishing a contribution to common costs (\$0.10/Dth stated in the Order) and the "value component (described in the order as based on the "spark spread"). Absent such flexibility, S.C. No. 21 would fail to comply with the principles set forth in the Order. Order at 5.

#### Objectives

The objective of the instant filing is to comply with the requirements of the Order while preserving Distribution's ability to compete for generation customers.

#### Effect of Proposed Revisions

The proposed tariff amendments are revenue-neutral. S.C. No. 21 will have no immediate impact on any existing customers. Current generation customers receiving service will not be affected by S.C. No. 21 during the terms of their contracts. So long as the flexibility built into S.C. No. 21 is adopted by the Commission, the Company expects that it will remain a viable competitor in the market for generation load. Absent such flexibility, particularly with respect to the "contribution to common costs" component of the rate, Distribution will be unable to compete for incremental generation load. Current generation load will also be at risk for bypass upon the expiration or termination of existing contracts. Loss of any portion of the existing 8 Bcf of generation load will reduce the revenue contribution currently allocated to common costs, placing upward pressure on all rates.

#### Newspaper Publication

The requirements of Section 66(12)(b) of the Public Service Law as to newspaper publication of the changes proposed herein have been waived. Order at 7.

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<sup>1</sup> Case 98-G-0122, Proceeding on Motion of the Commission to review the Bypass Policy Relating to the Pricing of Gas Transportation for Electric Generation, untitled order (issued and effective March 17, 1999). Distribution has filed a petition seeking rehearing of the order. See, Case 98-G-0122, Petition of National Fuel Gas Distribution Corporation for Rehearing or Reconsideration (filed April 16, 1999) ("Petition"). The Petition avers that the Commission erred by, among other things, adopting Staff's recommendations for upstate utilities. An application for rehearing does not excuse the petitioner from compliance with the challenged order during the pendency of the action. Pub. Serv. L. sec. 21 (McKinney's 1989).

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Company Contacts

For questions and correspondence relating to this filing, please contact the undersigned or Eric Meinel, 10 Lafayette Square, Buffalo, New York, 14203, (716) 857-7805.

Conclusion

For all of the foregoing reasons, Distribution respectfully requests that the proposed amendments be approved.

Respectfully submitted,

Michael W. Reville

cc: E. H. Meinel