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NIAGARA MOHAWK POWER CORPORATION  
A **National Grid** Company  
300 Erie Boulevard West  
Syracuse, New York 13202  
December 20, 2002

Honorable Janet Hand Deixler, Secretary  
State of New York  
Public Service Commission  
Office of the Secretary, 19th Floor  
Three Empire State Plaza  
Albany, New York 12223

Dear Secretary Deixler:

Attached for filing in accordance with the requirements of the Public Service Commission of the State of New York is the following Statement:

Statement of Research & Development Surcharge No. 3

To P.S.C. No. 218 Gas

Effective: January 1, 2003

The Company filed the addition of Rule 30 to its P.S.C. Gas Tariff on March 22, 2000, in compliance with the Commission's February 14, 2000 Order in Case 99-G-1369. This rule established a state funding mechanism to support medium and long-term research and development programs. The Commission approved these filings on a temporary basis on April 4, 2000.

The Company's Research and Development Rule No. 30 calls for a statement to be filed with the Commission apart from the rate schedule not less than three (3) days prior to the date the statement is to be effective. The Company hereby files its Research and Development Surcharge Rate to be effective January 1, 2003.

Please advise the undersigned of any actions taken on this filing. I can be reached at (315) 428-5613.

Sincerely,

John T. Powers  
Principle Gas Rate Analyst

JTP/jsc (L:tariffs/218tarif/wpfiles/letters/Lett240)