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**NATIONAL FUEL GAS DISTRIBUTION CORPORATION**

*10 Lafayette Square  
Buffalo, NY 14203*

June 1, 2001

Hon. Janet H. Deixler  
Secretary  
Public Service Commission  
Three Empire State Plaza  
Albany, NY 12223

Re: Case 00-G-1858  
Compliance Filing  
National Fuel Gas Distribution Corporation

Dear Secretary Deixler:

National Fuel Gas Distribution Corporation ("Distribution" or the "Company") submits the following revisions to its tariff, P.S.C. No. 8 – GAS, for an effective date of today:

Leaf No. 78	Revision 3
Leaf No. 212	Revision 7
Leaf No. 221	Revision 1
Leaf No. 222	Revision 7
Leaf No. 266.1	Revision 1
Leaf No. 266.4	Revision 3
Leaf No. 266.5	Revision 1

In support of this filing, Distribution states as follows:

Background and Proposed Revisions

This is a compliance filing submitted in response to the Commission's Order Concerning Joint Proposal issued in the above-referenced case on May 30, 2001 ("Order"). The Order approved a "Joint Proposal" (a.k.a. settlement agreement) executed by parties involved in Distribution's restructuring settlement negotiations and filed on April 11, 2001. A description of the settlement process culminating in the Joint Proposal is provided in the Order at pp. 1-3.

Pursuant to the Order, the provisions of the Joint Proposal will be implemented through Distribution's tariff and Gas Transportation Operations Procedures Manual ("Procedures Manual"). The Procedures Manual is being filed with the Secretary's Office, containing these and additional modifications, and served on the parties, under separate cover.

The Joint Proposal's revisions will be applied as follows:

1. Liquid Points

Service Classification No. 19 ("S.C. 19"), known as Supplier Transportation, Balancing and Aggregation ("STBA"), will be revised to include new language limiting the obligation of STBA Suppliers to a demonstration of firm capacity downstream of an established liquid trading point. As provided in the Joint Proposal, a list of the approved liquid trading points, and a procedure for revising the list, will be set forth in the Procedures Manual (See Procedures Manual at p. 48).

2. Transportation Balancing

Service Classification No. 13M will be revised to include new text applying a balancing tolerance band to City Gate deliveries provided for non-aggregated customers (See L. 221). Enforcement of the tolerance band will follow the same methodology that applies to aggregated services; i.e. deficiencies will be reconciled via the provisions of S.C. 11. Also, the tariff language provides that the tolerance band may be adjusted during an OFO.

3. Temperature Swing Storage Allocation

The Procedures Manual will be revised (beginning at page 48) to provide that STBA Suppliers' firm upstream capacity obligation must be "sufficient to meet the requirements of their customer groups at 62 heating degree days . . . ." Correspondingly, S.C. 19 will be revised at Leaf 266.1 to modify the capacity allocation between "elective upstream capacity" and "NFGSC Storage." The reserve capacity charge (Order at 5) is provided in the amended tariff at Leaf Nos. 212 (for S.C. 13M) and 222 (for S.C. 13D), with a conforming change at Leaf No. 78 (General Information).

4. Demonstration of Firm Capacity

Tariff Leaf No. 266.4 will be amended to provide that the STBA Supplier is required to demonstrate its compliance with the upstream capacity obligation "as provided in the Procedures Manual . . . ." In the Procedures Manual, the procedure for meeting the capacity demonstration requirement will be provided on page 48 (subparagraph nos. 1 and 3).

Reasons for Making the Proposed Revisions

The proposed revisions are being made to implement the Joint Proposal and in compliance with the Order.

Effect of the Proposed Revisions

The proposed revisions will be revenue-neutral. It is anticipated that they will aid the Company's efforts to maintain reliability as the market continues through restructuring and more customers convert to transportation service. In addition, the proposed changes will help to advance competition by improving operational requirements currently imposed on STBA Suppliers.

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Newspaper Publication

The Order, at page 7, expressly waived the requirement for newspaper publication.

Special Considerations

The Order provides that comments will be accepted on the revised tariff amendments so long as the Commission's offices receive them within ten business days of service of the revised amendments. This comment period, however, will have no effect on the effective date of June 1, 2001, as established in the Order.

Company Contacts

Communications relating to this filing should be submitted to the undersigned. Questions relating to changes in the Procedures Manual not related to the Order should be directed to Michael Novak, at (716) 857-7884.

Respectfully submitted,

Michael W. Reville

cc: Settlement Parties