Received: 3/2/2006

nationalgrid

Marcia G. Collier
Manager Gas Pricing

March 2, 2006

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

Dear Secretary Brilling:

The enclosed tariff leaves, issued by Niagara Mohawk Power Corporation, d/b/a National Grid ("Company"), are transmitted for filing in accordance with the requirements of the Public Service Commission of the State of New York ("Commission").

First Revised Leaf No. 218
First Revised Leaf No. 219
Original Leaf No. 219.1
Original Leaf No. 219.2
First Revised Leaf No. 220
Second Revised Leaf No. 221
First Revised Leaf No. 222
First Revised Leaf No. 223
First Revised Leaf No. 224
First Revised Leaf No. 225
First Revised Leaf No. 226
First Revised Leaf No. 228
First Revised Leaf No. 229

To PSC No. 219 Gas

Effective: March 15, 2006

The above listed tariff leaves are filed in compliance with the Commission's November 23, 2005 Order Approving Staff's Proposal in Case 03-G-1392 ("November 23rd Order"). Ordering Paragraph 2 of the November 23rd Order requires the Company to file tariff amendments to PSC No. 219 in compliance with the order on not less than one day's notice effective March 15, 2006.

On March 17, 1999 in Case 98-G-0122, gas utilities were ordered to file tariff provisions providing for gas transportation service for electric generation customers. The rate applicable to the gas fired electric generation service included a Value Added Charge (VAC) that would share with gas ratepayers a small portion of the profit that electric generation companies realize when wholesale electric prices increase relative to gas prices. In addition to the VAC, the rate also includes a \$0.10/DT contribution to overall system costs and an additional rate to cover marginal costs, and a minimum annual bill component. The Company filed its tariff filing to comply with the March 17, 1999 Order on May 15, 1999, implementing Service Classification No. 14 of PSC No. 218 Gas which has since been replaced by PSC No. 219 Gas.

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The November 23rd Order requires the VAC of Service Classification No. 14 to be fixed for an annual period of time based on data for a prior 12 month period with reconciliation at year's end. The spark spread in the current period is to be compared to a base value which represents the average spark spread of all 8,784 hours of the base period defined as December 1, 1999 through November 30, 2000, the first full year of operation of the NYISO. The order indicates that fixing the rate will allow the generators to incorporate the cost in their bids to the NYISO while also capturing the value of the service they receive from the LDCs. The order further provides that the calculation would be made on an hourly basis and would be symmetrical with the constraint that the VAC would not be negative for any month. Four proxy heat rates would be used depending on the technology type of the generating unit. The order further provides for the Electric Prices to reflect the Real Time Locational Based Marginal Pricing (LBMP) for the applicable zone the generator is located in. Finally, the order provides for the Gas Prices used in calculating the spark spread to be based on Gas Daily Indices representative of daily market prices for city gate deliveries in its service territory based on the averaging of high and midpoint prices.

The Company proposes to use Dominion Transmission Incorporated (DTI) North Point midpoint prices for the day of flow rather than the average of midpoint and high prices. The DTI North Point price is the index price that is most representative of city gate deliveries in the Company's territory and is consistent with the market-based pricing mechanisms contained in the Company's tariff such as Rule 29 – Cashout of Imbalances which utilizes DTI North Point's midpoint price as a basis for cash-out of its delivery-only customers. If DTI North Point index is not available, DTI South Point will be used.

The Company proposes using the Dominion North Point **Midpoint price** for its SC-14 calculation rather than the average of the midpoint and high as indicated by the November 23rd Order. The Company proposes to use the midpoint price because it has very few, if any, simple cycle Gas Turbines in its service territory. The gas burning units in its service territory primarily participate in the NYISO Day Ahead Market and procure their gas prior to the dispatch day. Units that purchase their fuel and are dispatched intraday favor using the posted High price to reflect the higher cost of procuring fuel in that environment (mostly simple cycle, Gas Turbines). By the same token, units that purchase most if not all of their fuel the day before the dispatch day are not exposed to the same pricing pressures. In these cases the Midpoint price is more appropriate. The Company respectfully requests waiver of the aspects of the November 23rd Order necessary to allow for the implementation of the midpoint price as opposed to the average of the midpoint and the high price indicated by the November 23rd Order.

Newspaper advertising required by 16NYCRR 720-8.1 and Public Service Law Section 66(12)(b) is waived as indicated in Ordering Clause 4 of the November 23rd Order.

Questions regarding this filing should be addressed to Nancy Hughes on 315-428-5201 or Marcia Collier on 315-428-5692. Please advise the undersigned of any action taken in regards to this filing.

Sincerely,

Marcia G. Collier
Manager, Gas Pricing

MGC/tlf (S:Tariffs/219Tariff/Docfiles/Letters/Lett129)

Enclosures

cc: Lyle Van Vranken
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