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nationalgrid

November 14, 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 (hereinafter the "Company") and request for limited waiver of the requirements of the Uniform Business Practices ("UBP") are transmitted for filing in compliance with the requirements of the Public Service Commission of the State of New York.

Second Revised Leaf No. 29
Second Revised Leaf No. 116
Second Revised Leaf No. 117
First Revised Leaf No. 143
First Revised Leaf No. 152
Fourth Revised Leaf No. 174
Sixth Revised Leaf No. 177
Fourth Revised Leaf No. 178
Third Revised Leaf No. 185

To PSC No. 219 Gas

Effective: March 1, 2007

Purpose

The enclosed tariff leaves propose revisions to General Information Rule Nos. 3 and 28, Service Classification No. 5 – Firm Gas Transportation Service, Service Classification No. 7 – Small Volume Firm Gas Transportation Service and Service Classification No. 11 – Load Aggregation Service.

Explanation

Tariff Leaf Nos 174 and 178 have been modified to increase the security requirement applicable to a limited number of Direct Customers participating in Daily Balancing who have been dropped by their Marketer either through a voluntary or involuntary action and are not able to demonstrate the ability to deliver gas. The current UBP rules set forth in UBP No. 3 Section 3 (D) (2) (a), Page 15 provides for the credit requirement to be equal to the customers' Maximum Daily Quantity (MDQ) times 10 days. The Company's proposed revision would increase that security to 30 days only for customers who can not prove they will be delivering gas for their own

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consumption while they are a Direct Customer. Direct Customers who demonstrate that they will be delivering sufficient quantities of gas to balance their own consumption will remain subject to the current credit requirements in effect under the UBP.

This increase in security requirements is necessary given that the Company's financial exposure for these customers is far greater than 10 days. Daily Balancing Customers do not have the right to return to sales customer status. Therefore, the current tariff provisions provide for them to stay on Daily Balancing Service if they are dropped by a Marketer, with no daily cash-outs in effect. If the customer has not been enrolled by another Marketer by the time the enrollment deadline for the second month occurs, the normal daily and monthly cash-out provisions apply.

This means that the customer can in fact deliver zero gas volumes for the first month and not be exposed to the daily cash-out provisions. These daily cash-out provisions are designed to provide the appropriate incentive to the typical Daily Balancing participant to remain within the allowed balancing tolerances. The Company is willing to continue to waive the daily cash-out provisions in the first month when the customer puts forth a good faith effort to balance their gas consumption and deliveries, given the unique challenges faced by these particular Direct Customers. However, when a customer has not the intention or ability to deliver the gas required to meet their needs during this interim period, the increased credit requirement will help mitigate the associated increased exposure. This process results in exposure to the Company of 28-31 days in Month 1 and 35-45 days in Month 2 before an invoice is due. For these reasons, the Company requests an increase in the credit requirements applicable to Direct Customers in Daily Balancing be increased to 30 days as set forth on Tariff Leaf Nos 174 and 178 and a corresponding limited waiver of the UBP that would permit implementation of said credit requirement.

Tariff Leaf Nos 29, 116 and 117 contain changes to Rule 28 of the General Information Section of PSC No. 219 to provide for Human Needs customers an alternative to certifying 100% dual fuel capability in order to participate in the Company's Daily Balancing program. The tariff changes would allow these Human Needs customers to provide five (5) winter months (November–March) of primary firm capacity from a receipt point, acceptable to the Director of Gas Supply, into the Company's east/west city gate, as applicable, sufficient to meet the customers' Maximum Peak Day Quantity (MPDQ). This proposed change has been suggested by the Commission's staff and the Company is supportive of this modification and therefore, has included the modification in the tariff revisions included herein.

Tariff Leaf Nos 143, 152, 177 contain modifications to Service Classification No 5 - Firm Gas Transportation Service, Service Classification No. 7 - Small Volume Firm Gas Transportation Service, and Service Classification No. 11 – Load Aggregation Service respectively. These changes are consistent with the changes described in the preceding paragraph for Tariff Leaf Nos. 116 and 117.

Tariff Leaf No. 185 has been modified to change paragraph 14 to reflect a change in the process of handling storage released to customers switching marketers. The current tariff leaf indicates that the responsibility for the storage inventory transfer when customers switch marketers will be the responsibility of the marketers involved without participation by the Company. The proposed tariff leaf 185 provides for the Storage Inventory to be returned to the Company and re-transferred to the customer's new Marketer. The Storage Inventory volume will be calculated on the same basis as referenced in paragraph 11 on Leaf 184. This modification is being made in response to requests from the Company's Marketers.

UBP Limited Waiver Request

The Company hereby requests a limited waiver of Section 3 (D) (2) (a) of the UBP as set forth in UBP Addendum No. 3 to PSC No. 219 Gas. UBP Section 3 (D) (2) (a) allows the utility to require a Direct Customer to provide security in an amount no greater than the Direct Customer's projected Maximum Daily Quantity times the peak forecasted NYMEX price for the next 12 months and for upstream capacity to the city gate times 10 days. For the above reasons, the Company's revision proposes to modify this security requirement to be based on 30 days for certain customers under Tariff Leaf Nos 174 and 178.

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SAPA

A State Administrative Procedures Act (SAPA) Notice is enclosed for publication in the State Register.

Advertising

Newspaper publication of the proposed tariff changes will be made in accordance with 16 NYCRR 720-8.1 on November 22 and 29 and December 6 and 13, 2006.

Questions regarding this filing should be addressed to James Dillon on 315-428-5875 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 - NY

MGC/tlf (S:/tariffs/219tariff/docfile/letters/lett154)

Enclosures