Received: 7/11/2006

nationalgrid

July 11, 2006

Honorable Jaclyn A. Brilling, Secretary
State of New York
Public Service Commission
Office of the Secretary, 19th Floor
Three Empire State Plaza
Albany, New York 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. 116
First Revised Leaf No. 117
Second Revised Leaf No. 119
First Revised Leaf No. 120
First Revised Leaf No. 121
Third Revised Leaf No. 122
Third Revised Leaf No. 172
Third Revised Leaf No. 174
Third Revised Leaf No. 176
Third Revised Leaf No. 178
Sixth Revised Leaf No. 179
Third Revised Leaf No. 180
Fourth Revised Leaf No. 181
Fourth Revised Leaf No. 182
Second Revised Leaf No. 185

To PSC No. 219 Gas

Effective: October 1, 2006

Purpose

The purpose of the above listed tariff revisions is to propose changes to Service Classification No. 11 of PSC No. 219 Gas. Service Classification No. 11 contains the terms and conditions of the Company's Load Aggregation Service applicable to customers purchasing gas commodity from alternate providers.

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Explanation

Tariff Leaf Nos 174 and 178 have been modified to increase the security requirement applicable to 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, Page 15 provides for the credit requirement to be equal to the MDQ times 10 days. The Company's proposed revision would increase that security to 30 days. This increase in credit requirement is necessary as the Company's exposure 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 cashouts 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 cashout provisions apply. 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.

Tariff Leaf Nos 179 and 180 reflect revisions related to the term provision of releases of DTI Rate Schedules FT, FTNN, and GSS capacity. The term provision, as set forth on Leaf No. 179, for DTI FT capacity release is being changed from "The term of each such release will be determined by the Company" to "The term of each such release will be for 1 calendar month." The term provision for DTI GSS capacity release and DTI FTNN capacity release, as set forth on Leaf No. 180, is proposed to be modified from "The term of each such release will be for one year plus 1 day" to "The term of each such release will be for 1 calendar month."

The Company is requesting these changes to reflect the current capacity release provisions under DTI's FERC-Regulated Tariff and FERC Regulations Section 284.8 (18 C.F.R. § 284.8 (h)), which allow the Company to implement its retail access capacity release program. By updating the term provisions of these releases, the Company is simply reflecting the evolution of FERC capacity release regulations, which provide the Company adequate assurances that the releases will not be inadvertently exposed to other bidders by virtue of the duration of the release who, if successful, may then use the capacity to serve non-core customers in another franchise area.

Tariff Leaf Nos 181 and 182 have been modified to change the formula applicable to Marketers choosing not to maintain the Minimum Storage Inventory Levels (MSIL) set forth on Tariff Leaf No. 181- Section 5a.

Current Calculation

Section 5B currently provides that Marketers choosing not to maintain the MSIL are required to post financial security in the form of a Standby Letter of Credit or Advance Cash Deposit for the duration of the winter season in an amount equal to the Marketer's MPDQ times 55% times 51.6 days times the difference between the Three Year Winter Average of the Gas Daily DTI North Point/Midpoint Daily Price and the Company's weighted average cost of gas in storage. This formula at times results in a negative number and does not cover the Company's cost of replacing gas volumes if the Marketer fails.

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Proposed Calculation

The revised wording is intended to more accurately reflect the financial exposure borne by Sales Customers in the event a Marketer defaults on their storage inventory requirements. When a Marketer chooses not to allow the Company to verify their winter storage inventory levels, the potential exists that a Marketer in financial peril will, unbeknownst to the Company, deplete their storage inventory entirely. In the event of a bankruptcy or failure, the customers of that Marketer will most likely revert to sales service. When this occurs the Company, in order to serve all sales customers, will be forced to make up the shortfall in storage inventory, (created when the failed marketer did not return the expected storage volumes), by procuring additional gas supply from the spot market. Marketers would continue to retain the ability to avoid this requirement by simply choosing to maintain the minimum storage inventory levels as currently described in the tariff. The current calculation inadvertently failed to capture the replacement cost of gas in the event a Marketer fully depleted their storage inventory during the winter season.

The tariff revision set forth on Leaf No. 185 is being modified to clarify that the True-up of Actual Usage to Nominations will utilize the DTI Gas Daily DTI South Point/Mid Point Price when the North Point price is not available.

The changes set forth on Tariff Leaf Nos 120, 121 and 122 merely change the reference to CNG (Consolidated Natural Gas) to Dominion Transmission Inc. as this name change has been effective for some time and is the name of the Company to which the Cashout of Imbalances under Rule 29 of the Company's General Information Section of PSC No. 219 are tied. These tariff leaves also clarify that Daily and Monthly Cashout provisions set forth in Rule 29 will be priced using Gas Daily DTI South Point/Mid Point Price when DTI North Point/Mid Point Price is not posted. Tariff Leaf No. 121 additionally deletes the reference to via email for notices provided by the Company when the Marketer's Percent Imbalance is greater than 50% on any given day. The tariff requires the Company to provide two warning notices to the affected Marketers that additional charges may occur. These notices are currently in writing and delivered using the Company's secure website. Replacing the language "via email" with "in writing" will accommodate any changes to systems in the future.

The changes set forth on Leaf Nos 116 and 117 clarify that only human needs customers under SC5 and SC7 who participate in Daily Balancing must certify 100% dual fuel capability. This requirement is consistent with Tariff Leaf No 177 which sets forth the eligibility requirements for Daily Balancing Service.

The changes set forth on Tariff Leaf No. 172 deletes the definition of "Three Year Winter Average Gas Daily North Point/Mid Point Price" which was formerly referenced on Leaf No. 178. As a result of the tariff revision to Leaf No. 178 described above, this tariff leaf is no longer necessary.

Waivers

Waiver of newspaper publication as required in 16NYCRR 720-8.1 is requested for this filing due to the fact that the Company's approved marketers will be notified of the changes included in this filing by way of a conference call and/or meeting. In addition, these changes will be served on the parties to the Company's existing Gas Rate Settlement in Case 99-G-0336 and Case 01-M-0075.

Niagara Mohawk hereby requests waiver of the Company's Natural Gas Rate Settlement in Case 99-G-0336 to the extent necessary to allow these proposed changes to become effective.

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Sapa

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

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.

Very truly yours,

Marcia G. Collier
Manager, Gas Pricing

MGC/tlf (S:/tariffs/219tariff/docfile/letters/lett140)

Enclosures