

National Fuel Gas Distribution Corporation
6363 Main Street
Williamsville, NY 14221

January 27, 2006

Hon. Jaclyn A. Brillling, Secretary
New York State Department of Public Service
Three Empire State Plaza
Albany, NY 12223-1350

Dear Secretary Brillling:

Enclosed is an electronic version of Monthly Gas Supply Charge Statement No. 49 applicable to Service Classification Nos. 1, 2, and 3, and Delivery Adjustment Charge Statement No. 46 applicable to Service Classification Nos. 1, 2, 3, 5, 7, 8, and 9 of our Rate Schedule P.S.C. No. 8 – Gas. The Monthly Gas Supply Charge Statement No. 49 and the Delivery Adjustment Charge Statement No. 46 will be effective commencing with gas used on or after February 1, 2006.

The estimated amount related to surcharges and credits included in Statements No. 46 & 49 is \$66,000 based on estimated February 2006 sales of 90,060,000 Ccf. The estimated effect on revenue, exclusive of surcharges and credits, is a decrease of \$17,711,600 on a monthly basis.

The surcharge calculation for February 2006 Intermediate Pipeline Stranded Capacity Surcharge pursuant to General Leaf No. 148.2 of P.S.C. No 8 – Gas results in a unit surcharge of \$0.02230 /Mcf is applicable for February 1, 2006 through February 28, 2006.

The surcharge calculation for February 2006 Upstream Pipeline Stranded Capacity Surcharge pursuant to General Leaf No. 148.1 of P.S.C. No 8 – Gas results in a unit surcharge of \$0.05060 /Mcf is applicable for February 1, 2006 through February 28, 2006.

The Company's Interim Annual Reconciliation filing for the twelve months ended August 31, 2006, pursuant to General Information Leaf No.81 of P.S.C. No. 8 – Gas is included. The unit surcharge of \$0.5070/Mcf is applicable for the period February 1, 2006 through August 31, 2006. This interim GAC corresponds to an additional \$13.3 million of gas cost revenues for the period February 1, 2006 through August 21, 2006. Based on current market price projections the Company is projecting an undercollection of gas costs for the twelve months ending August 31, 2006 of \$30.6 million. This projection of undercollected gas costs is subject to the actual level of market prices for the upcoming months which have been demonstrated to be extremely volatile in recent months. Given this volatility, the Company has based its interim GAC on recovering 50% of the undercollection of gas costs (\$26.6 million) actually experienced in the month of September 2005. This interim GAC reconciliation (assuming current projections occur) would reduce the annual reconciliation amount to be recovered beginning January 1, 2007 from \$30.6 million (\$0.6138/Mcf surcharge) to \$17.3 million (\$0.3475/Mcf surcharge). As can be seen from sheet 4 of the interim reconciliation schedule, the interim reconciliation will result in more stable gas rates to customers associated with this element of their gas

cost rate for the winter of 2006-2007. The Company will monitor its projection of gas cost under and over recovery on a monthly basis and may adjust this interim reconciliation charge if needed.

In addition, Deficiency Imbalance Sales Service Rate Statement No. 99, Demand Transfer Recovery Rate Statement No.97, Gas Transportation Statement No.97, Natural Gas Vehicle Statement No. 99, Standby Sales Service Rate Statement No.99, Transportation Sales Service Rate Statement No.101, Reserve Capacity Cost Statement No. 63, Weather Normalization Clause Multipliers Statement No. 46, Distributed Generation Statement No. 28, LIRA Minimum Charge Statement No.7, Minimum Bill Credit Statement No.7, Merchant Function Charge Statement No.9, and Incremental Monthly Gas Supply Charge Statement No. 5 are included.

This statement is filed in compliance with 16 NYCRR, Section 270.55. Information pertaining to section 270.55d(7) will be delivered under separate cover letter.

In connection with this filing, the Company is also required to submit information that contains trade secrets. Accordingly, the Company has filed the required information with the Department Records Access Officer, together with a request for trade secret protection under the Commission's regulation. The instant filing includes redacted copies of the documents submitted to the Department Records Access Officer. The information for which trade secret protection has been requested is deleted. Copies of the same documents, with the redacted sections shaded (but legible) for identification, are being submitted to the Department Records Access Office under separate cover.

Very truly yours,

Eric H. Meinl
General Manager
Rates & Regulatory Affairs

Encl.