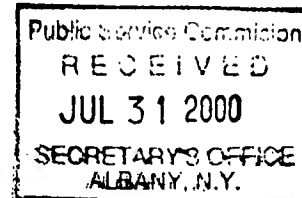




# Rensselaer

Campus Planning &amp; Facilities Design



July 31, 2000

Files: 00-G-0996  
re-to: P. Catalano

Public Service Commission  
3 Empire State Plaza  
Albany, NY 12223-1350  
Attn: Ms. Deixler

Dear Ms. Deixler:

Niagara Mohawk Power Corporation has informed Rensselaer Polytechnic Institute on July 25, 2000 that the NYS Public Service Commission has proposed changes to the interruptible natural gas operating requirements as referenced in a letter from Chairman Maureen Helmer of the PSC to Albert Budney, President of Niagara Mohawk Power Corporation dated June 14, 2000.

The first requirement is that interruptible natural gas customers would be required to have a ten-day supply of alternative fuel on site prior to November 1, 2000. This requirement seems excessive given that the interruptible class has not experienced a single interruption of more than forty-eight hours in the last ten years. This would provide a safety factor of five times current experience. The ability to build a storage facility of this size would require a significant lead time along with a considerable capital expense and regulatory approvals.

Rensselaer currently has alternative oil storage that would last from three to five days depending on weather conditions and what operating conditions our facilities were experiencing.

The central steam production plant at Rensselaer currently serves over 1.5 million square feet of facilities that include research, residence halls and administrative space. During the beginning of each heating season Rensselaer tests the operation of the alternative fuel equipment for a minimum of eight hours to insure that our facilities will not be at risk. In addition, our alternative fuel storage facility of 48,000 gallons is filled to insure that our facilities operation will not have to be curtailed.

The alternative oil fuel supplier has a purchase order to provide oil on an annual basis. There has not been an occasion where Rensselaer has been unable to receive deliveries from our supplier. During our Y2K planning last year Rensselaer had been insured that our supplier would provide fuel as needed, which proved unnecessary.

Page 2


July 31, 2000

Ms. Deixler

Non compliance with this proposed tariff revision has a penalty of the fair market rate plus a ten percent penalty. The fair market rate for alternative fuel in a curtailment environment can become subject to considerable debate. Recent experience in the New York State deregulated electric wholesale market suggests volatile swings in an unstable energy market. Given the upward movement in both natural gas and fuel oil pricing a fair market value will be very difficult to ascertain.

If Rensselaer's action plan described above meets the intent of your proposed rule then Rensselaer has no objections to the tariff proposal. However, if Rensselaer can not meet your proposed rule as described to us by NMPC then we request that the PSC should discuss this proposal directly with the affected customers prior to implementing an tariff that will be difficult to achieve.

Sincerely,



Oliver Holmes, PE

Director

Planning &amp; Engineering



STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION  
THREE EMPIRE STATE PLAZA  
ALBANY, NY 12223-1350  
E-Mail Address: MOH@dps.state.ny.us

MAUREEN O. HELMER  
CHAIRMAN

(518) 474-2523  
FAX (518) 473-2838

June 14, 2000

Albert J. Budney, Jr., President & COO  
Niagara Mohawk Power Corporation  
300 Erie Boulevard West  
Syracuse, NY 13202

Dear Mr. Budney:

With the onset of warm weather, it is important that we not lose sight of what happened last winter when a short period of severe weather, coupled with a below normal oil inventory at terminals, led to two distinctive spikes in home heating oil prices.

Although national, indeed global energy issues led to these events, I am concerned that the actions of some interruptible gas customers exacerbated the spikes in oil prices and depletion of oil inventories. It seems clear that some of those customers did not have adequate supplies of alternative fuel and were not prepared to be interrupted, as contemplated by the tariffs under which they were receiving service. These customers had to enter the market for oil, placing additional pressure on already high prices, or refused to be interrupted, which threatened reliability of supply to firm gas customers.

A repetition of last winter's situation is unacceptable. Interruptible customers must be prepared for the possibility that their service will be interrupted and utilities must make clear to those customers that non-compliance with tariff provisions will not be tolerated. The normal practice of sending customers a preseason letter no longer seems adequate to get this message across.

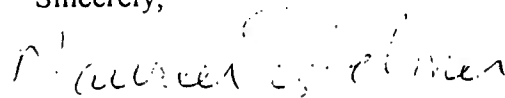
I believe that tariffs need to be strengthened to help mitigate this problem for the coming heating season. Suggested tariff revisions to accomplish this are attached to this letter. I recognize that individual circumstances, such as conditions contained in negotiated contracts may require different treatment. My staff will contact your office within seven days to discuss the suggested revisions and alternatives that you may

propose. I expect revised tariff leaves that will be effective by September 1. If the interested parties are unable to reach a consensus by July 15, I plan to recommend that the Commission order revisions to become effective on an emergency basis by September 1.

I recognize that these measures will require additional efforts on your part but I believe they are a necessary part of utilities' service obligations.

Thank you in advance for your cooperation.

Sincerely,

A handwritten signature in cursive script, appearing to read "Maureen O. Helmer".

Maureen O. Helmer  
Chairman

Cc: Joseph T. Ash, VP, Gas Delivery

Attachment