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nationalgrid

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Senior Counsel II

March 20, 2013

Via Electronic Filing

Hon. Jeffrey Cohen, Acting Secretary
State of New York Public Service Commission
Office of the Secretary
Three Empire State Plaza
Albany, NY 12223-1350

Re: Case 13-E-____ – Petition of Niagara Mohawk Power Corporation d/b/a National Grid to Revise High Load Factor Power Delivery Rates and Billing Formula, and Related Tariff Amendments

Dear Acting Secretary Cohen,

Pursuant to Commission Rule 3.5 (16 N.Y.C.R.R. § 3.5), Niagara Mohawk Power Corporation d/b/a National Grid ("National Grid" or the "Company") submits the attached Petition to Revise High Load Factor Power Delivery Rates and Billing Formula, and Related Tariff Amendments ("Petition") and respectfully requests Public Service Commission ("Commission") approval thereof. The High Load Factor ("HLF") Power Delivery program is an economic development program through which the New York Power Authority ("NYPA") provides power to energy-intensive industries in the state. The Company serves three HLF accounts, and understands that NYPA is not accepting new HLF applicants. The three customers receive HLF delivery service under discounted rates that had been subject to a rate freeze that expired December 31, 2011.

In this Petition, the Company proposes to transition HLF delivery service rates to standard Retail Tariff rate levels over a period starting July 1, 2013 and ending January 1, 2016. The proposed transition will result in greater consistency and parity of the HLF program with other NYPA power programs under the Company's Service Classification No. 4, while also providing HLF customers ample time to prepare for the rate changes.

Based on currently effective HLF rates and rates recently approved in Case 12-E-0201, the changes proposed in this Petition would result in estimated increases in annual total electric bills for the three HLF customers of approximately 0.6 to 0.8 percent beginning July 1, 2013, and additional increases of approximately 0.3 to 0.5 percent beginning January 1, 2016. On a delivery-only basis, the proposed changes would result in estimated increases in annual delivery costs of approximately 4.5 to 8.0 percent beginning July 1, 2013, and additional increases of approximately 1.9 to 4.5 percent beginning January 1, 2016. Details of the foregoing bill impact estimates are provided in Attachment 1 to the Petition.

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The following proposed tariff leaves are included in Attachment 2 to the Petition:

Sixth Revised Leaf No. 399
Fifth Revised Leaf No. 400
Fifth Revised Leaf No. 401
Sixth Revised Leaf No. 404
Fifth Revised Leaf No. 405
Fourth Revised Leaf No. 406
Eighth Revised Leaf No. 407
Eighth Revised Leaf No. 408
Eighth Revised Leaf No. 408.1
Second Revised Leaf No. 408.5

To P.S.C. No. 220 Electricity

Effective: July 1, 2013

The revised tariff leaves are also being transmitted electronically to the Commission contemporaneously with this filing in accordance with applicable procedures. The Company requests that the proposed tariff amendment become effective July 1, 2013.

The Company has discussed the proposed HLF rate changes with its HLF customers and with counsel for Multiple Intervenors ("MI"), which represents two of the three HLF accounts. MI supports the transition plan proposed in this petition. The Company has also advised NYPA of the proposed changes, and NYPA has indicated it does not oppose them.

The Company respectfully requests Commission approval to implement the proposed delivery rate changes described in this Petition beginning July 1, 2013. Thank you for your attention to this matter.

Respectfully submitted,

/s/ Carlos A. Gavilondo
Carlos A. Gavilondo

cc: Denise Gerbsch
Michael Mager
Robert Loughney
Gary Levenson

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STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

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Proceeding on Petition of Niagara Mohawk Power	:	
Corporation d/b/a National Grid for Revisions to	:	Case No. 13-E-__________
Delivery Rates and Billing Formula for New York Power	:	
Authority High Load Factor Power	:	

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PETITION TO REVISE HIGH LOAD FACTOR POWER DELIVERY RATES AND BILLING FORMULA, AND RELATED TARIFF AMENDMENTS

Niagara Mohawk Power Corporation d/b/a National Grid ("National Grid" or the "Company") hereby requests Public Service Commission ("Commission") approval of this Petition to Revise High Load Factor Power Delivery Rates and Billing Formula, and Related Tariff Amendments ("Petition"). Customers with Existing Allocations of High Load Factor ("HLF") power from the New York Power Authority ("NYPA") currently pay discounted rates for delivery of that power. The Company serves three HLF accounts, and understands that NYPA is not accepting new HLF applicants and therefore there will be no new HLF allocations. The Company proposes the following schedule of changes to the HLF power program:

(1) Effective July 1, 2013:

(A) The monthly Customer Charge for HLF power customers will be equal to 90 percent of the corresponding effective parent service class Customer Charge in P.S.C. No. 220 Electricity, Niagara Mohawk Power Corporation d/b/a National Grid Schedule for Electric Service ("Retail Tariff").

(B) The per kW Distribution Delivery Demand Charge for HLF power customers will be equal to 90 percent of the corresponding effective parent service class Distribution Delivery Demand Charge in the Retail Tariff.

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(C) Loss factors for HLF allocations will be implemented as provided in Rule 39.18 of the Retail Tariff.

(D) Demand charges will be assessed on peak monthly-metered demand (the highest kW measured over any 30-minute interval during the current billing month), rather than on the HLF contract demand.

(E) Use of the previous 11-month maximum demand in the Load Factor Sharing billing methodology for HLF billing will be eliminated.

(2) Effective January 1, 2016:

(A) The monthly Customer Charge for HLF power customers will be equal to 100 percent of the corresponding effective parent service class Customer Charge in the Retail Tariff.

(B) The per kW Distribution Delivery Demand Charge for HLF power customers will be equal to 100 percent of the corresponding effective parent service class Distribution Delivery Demand Charge in the Retail Tariff.

The transition to Retail Tariff delivery rates proposed in this petition will result in greater consistency and parity of the HLF program with other NYPA power programs under the Company's Service Classification No. 4, while also providing HLF customers ample time to prepare for the rate changes. Based on currently effective HLF rates and the rates recently approved in Case 12-E-0201, the changes proposed in this petition would result in estimated increases in annual total electric bills of approximately 0.6 to 0.8 percent beginning July 1, 2013, and additional increases of approximately 0.3 to 0.5 percent beginning January 1, 2016. On a delivery-only basis, the proposed changes would result in estimated increases in annual delivery

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costs of approximately 4.5 to 8.0 percent beginning July 1, 2013, and additional increases of approximately 1.9 to 4.5 percent beginning January 1, 2016.[1]

The Company has discussed the proposed changes with its HLF customers and with counsel for Multiple Intervenors ("MI"), which represents two of the three HLF accounts, and MI supports the transition plan proposed in this petition. The Company has also advised NYPA of the proposed changes, and NYPA has indicated it does not oppose them.

The Company respectfully requests Commission approval to implement the proposed delivery rate changes described in this petition beginning July 1, 2013.

Background

The HLF power program is an economic development program through which NYPA provides power to energy-intensive industries in the state. The HLF program has existed since 1968. In 1997, the Commission approved a settlement agreement among the Company, NYPA and the Department of Public Service which provided for the Company's continued delivery of HLF power.[2] The Company provides service to three HLF accounts, and all three accounts are served at the transmission voltage delivery level ("VDL"). The Company understands from NYPA that there will be no additional HLF allocations in the future.

As part of the Niagara Mohawk/National Grid Merger Joint Proposal ("MJP") in 2001, the Company froze delivery rates for customers with Existing Allocations of HLF at the then-

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[1] The total and delivery bill impact analyses of the proposed phase-in are shown in Attachment 1. To isolate bill impacts to those changes from the HLF phase-in, the reference Retail Tariff rates used in these analyses are those in effect at July 1, 2013.

[2] Case Nos. 97-E-0528 and 97-E-0569, Order Approving Settlement Agreement (May 23, 1997), and Orders dated June 10, 1997 and August 20, 1997.

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existing delivery rates through the Rate Plan Period defined in the MJP.[3] For the transmission VDL, these rates reflect a customer charge of $1,726.55/month for the months in which no supplemental supply is taken, and a demand charge of $2.08/kW.[4] In Case 10-E-0050, the Company, NYPA and Staff entered the Rate Design, Customer, and Markets Mandatory Hourly Pricing Stipulation, which confirmed the delivery rate freeze for NYPA Existing Allocations (including HLF) through calendar year 2011.[5] Although the HLF rate freeze expired more than a year ago, the Company has not sought to change the HLF rates until now.

<u>Summary of Revisions to HLF Delivery Rates and Billing Formula, and Proposed Tariff Amendments</u>

The three HLF power accounts currently receive transmission-level service and pay a discounted delivery rate of $2.08 per kW of contract demand. In contrast, the delivery rate for transmission-level supplemental service under their parent service classification will be $2.66 per kW beginning April 1, 2013 based on rates approved in Case 12-E-0201. The customer charge for the three HLF power accounts is also discounted. In months in which an HLF customer takes no supplemental service, the customer charge is currently $1,726.55 per month. In months in

[3] Case 01-M-0075, *Joint Petition of Niagara Mohawk Holdings, Inc., Niagara Mohawk Power Corporation, National Grid Group plc and National Grid USA for Approval of Merger and Stock Acquisition*, Merger Joint Proposal ("MJP") § 1.2.13 and Attachment 3, Schedule 1, Sheet 15 of 15.

[4] In months where supplemental supply is taken, the customer is assessed the standard tariff customer charge for its parent service classification. These rates and the retail delivery provisions for HLF allocations are contained in Service Classification No. 4 ("SC-4") of the Retail Tariff.

[5] Case 10-E-0050, *Proceeding on Motion of the Commission as to the rates, Charges, Rules and Regulations of Niagara Mohawk Power Corporation for Electric Service*, Rate Design, Customer, and Markets Mandatory Hourly Pricing Stipulation, Record Ex. 393. The NYPA Existing Allocation rate freeze provisions of the Stipulation were uncontested, and were ultimately adopted by the Commission. Case 10-E-0050, *Proceeding on Motion of the Commission as to the rates, Charges, Rules and Regulations of Niagara Mohawk Power Corporation for Electric Service*, Order Establishing Rates for Electric Service (issued and adopted Jan. 24, 2011) (adopting ALJs' recommended decision as to uncontested Stipulation provisions).

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which an HLF customer does take supplemental service, the HLF customer charge is the same as the parent service classification customer charge, which is $3,500 per month for SC-3A transmission-level customers beginning April 1, 2013 based on rates approved in Case 12-E-0201. In addition, the loss factors used to calculate HLF billings differ from the factors used under the NYPA Expansion Power ("EP") and Replacement Power ("RP") programs. Finally, under the HLF program, demand charges are based on a customer's HLF contract demand, even if that is greater than the customer's actual monthly metered demand. Calculating demand charges on the basis of metered demand rather than the greater of contract demand and metered demand could benefit HLF customers. Accordingly, the Company proposes to implement the following changes to the HLF program:

(1) Effective July 1, 2013:

(A) The monthly Customer Charge for HLF power customers will be equal to 90 percent of the corresponding effective parent service class Customer Charge in the Retail Tariff.

(B) The per kW Distribution Delivery Demand Charge for HLF power customers will be equal to 90 percent of the corresponding effective parent service class Distribution Delivery Demand Charge in the Retail Tariff.

(C) Loss factors for HLF allocations will be implemented as provided in Rule 39.18 of the Retail Tariff.

(D) Demand charges will be assessed on peak monthly-metered demand (the highest kW measured over any 30-minute interval during the current billing month), rather than on the HLF contract demand.

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(E) Use of the previous 11-month maximum demand in the Load Factor Sharing billing methodology for HLF billing will be eliminated.[6]

(2) Effective January 1, 2016:

(A) The monthly Customer Charge for HLF power customers will be equal to 100 percent of the corresponding effective parent service class Customer Charge in the Retail Tariff.

(B) The per kW Distribution Delivery Demand Charge for HLF power customers will be equal to 100 percent of the corresponding effective parent service class Distribution Delivery Demand Charge in the Retail Tariff.

HLF power allocations will still be exempt from charges and adjustments under the Company's Retail Tariff similar to other NYPA power delivery programs served under Service Classification No. 4. These exemptions currently include Rule 41 (System Benefits Charge), Rule 43 (Transmission Revenue Adjustment), Rule 46.2 (Legacy Transition Charge), Rule 49 (Renewable Portfolio Surcharge) and Rule 57 (Revenue Decoupling Mechanism).[7]

The phase-in schedule proposed in this petition is designed to mitigate the bill and delivery rate impacts on the three HLF customers and provide them time to prepare for and adjust to the changes. The phase-in also is consistent with a similar transition program the Commission previously approved for customers with Existing Allocations of NYPA EP and RP,

[6] The peak demand used in the Load Factor Sharing ("LFS") billing methodology for HLF customers previously was based on a 12-month maximum demand. Upon implementation of the ReCharge New York ("RNY") economic development program, the 12-month maximum peak demand treatment was modified for RNY customers in favor of the monthly metered demand methodology used for other NYPA programs. Thus, the three HLF customers have benefitted from this change in the LFS billing methodology since receiving RNY allocations.

[7] HLF customers will also receive the $0.04/kW temporary deferral credit approved in Case 12-E-0201 beginning April 1, 2013.

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whose discounted delivery rates are being phased-in to full Retail Tariff delivery rates over several years.[8] The Company believes the Commission should likewise approve the HLF delivery rate phase-in proposed here to provide greater consistency among NYPA power delivery rates and greater parity among similarly situated customers. Based on currently effective HLF rates and the schedule of rates recently approved in Case 12-E-0201, the changes proposed in this petition would result in estimated increases in annual total electric bills of approximately 0.6 to 0.8 percent beginning July 1, 2013, and additional increases of approximately 0.3 to 0.5 percent beginning January 1, 2016. On a delivery-only basis, the proposed changes would result in estimated increases in annual delivery costs of approximately 4.5 to 8.0 percent beginning July 1, 2013, and additional increases of approximately 1.9 to 4.5 percent beginning January 1, 2016.[9]

The incremental revenues associated with the HLF customers have been accounted for in the Company's general rate case 12-E-0201. The discounts associated with the HLF phase-in agreement are subject to reconciliation.

A summary of the estimated bill impacts from these changes is provided in Attachment 1 to this Petition.

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[8] NY PSC Case No. 11-E-0535, *Niagara Mohawk Power Corporation d/b/a National Grid*, Order Approving Tariff Amendments (issued and effective December 15, 2011). The Federal Energy Regulatory Commission ("FERC") also approved the EP and RP rate changes. FERC Docket Nos. ER12-331-000, ER12-333-000, and ER12-367-000, Letter Order (December 8, 2011). The phase-in for most EP and RP customers will occur over four years in accordance with the following schedule: 1) January 1, 2012, 20% discount off standard Retail Tariff delivery rates in effect at that time; 2) January 1, 2013, 15% discount; 3) January 1, 2014: 15% discount; 4) January 1, 2015, 10% discount; and 6) January 1, 2016 and thereafter, no discount. This petition provides for the final step of the HLF phase-in on January 1, 2016 to coincide with the final step of the four-year phase-in applicable to most EP and RP customers. Although the transition to standard Retail Tariff delivery rates proposed here is intended to be comparable to and conclude at the same time as the phase-in for most EP and RP customers, a slightly more rapid transition is proposed for HLF customers because the resulting bill and delivery rate impacts are more modest.

[9] To isolate bill impacts to those changes from the HLF phase-in, the reference Retail Tariff rates used in these analyses are those in effect at July 1, 2013.

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The Commission Should Approve this Petition and Proposed Tariff Amendments

The transition to standard Retail Tariff delivery rates for HLF allocations proposed in this petition supports the important goals of the HLF program by continuing the delivery of power allocations and will result in consistency and parity with the delivery rates paid by the Company's other similarly situated customers. The use of actual metered demand rather than the HLF contract demand will benefit HLF customers and better align with the methodology used for other Retail Tariff customers.[10] HLF power delivery will continue to be exempt from various other charges and adjustments under the Retail Tariff similar to other NYPA power delivery programs served under Service Classification No. 4. The proposed phase-in schedule mitigates near-term bill impacts, provides HLF customers time to prepare for and adjust to the rate changes, and aligns with the EP and RP phase-in previously approved by the Commission. MI has indicated it supports the proposed phase-in and NYPA has indicated no opposition to the petition. The changes proposed here are just and reasonable, and accordingly, the Company requests approval by the Commission.

The Company has included proposed Retail Tariff leaves which implement the proposed rates as Attachment 2 to this Petition.

Conclusion

For the foregoing reasons, the Company respectfully requests that the Commission:

[10] The bill and delivery rate impacts described in this petition and the analysis in Attachment 1 reflect the effect of billing on the basis of metered demand rather than contract demand.

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1) Approve the delivery rate changes for Existing Allocations of HLF power and the changes in the HLF LFS billing formula as proposed in this Petition effective July 1, 2013; and

2) Approve the Retail Tariff amendments filed herewith to implement the same.

Respectfully submitted,

Niagara Mohawk Power Corporation d/b/a National Grid

/s/

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ATTACHMENT 1

BILL IMPACT ESTIMATES OF

HLF RATE PHASE-IN

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High Load Factor (HLF) Bill Impacts
Phase-in to Full Standard Tariff Rates

	Customer 1	Customer 2	Customer 3
Allocations:(kW)			
Maximum HLF Power	1,120	7,250	5500
Niagara Expansion Power	10,500	-	-
Recharge New York	80	6,750	6,000
Peak Demand (2012)	11,560	13,673	11,851
Annualized Bill Estimate at 2012 Rates			
Fitzpatrick Power (delivery only)	$ 21,341	$ 174,720	$ 137,280
RNY Power (delivery only)	$ 2,432	$ 203,792	$ 184,104
Niagara Expansion Power (NG delivery only)	$ 277,389	$ -	$ -
Supplemental Delivery	$ 27,028	$ 23,996	$ 26,293
Surcharges & Adjustments	$ 13,103	$ 168,850	$ 147,660
Tariff Surcharge (GRT)	$ 10,555	$ -	$ -
Total Delivery and Surcharges	$ 351,848	$ 571,358	$ 495,337
Niagara Expansion Commodity	$ 1,571,124	$ -	$ -
RNY Commodity at NYPA Hydro Rates	$ 8,692	$ 940,936	$ 806,759
All Other Commodity (at market rate)	$ 299,177	$ 3,737,837	$ 2,912,720
Tariff Surcharge (GRT)	$ 58,113	$ -	$ -
Total Commodity	$ 1,937,106	$ 4,678,773	$ 3,719,479
Total Electricity Cost	$ 2,288,954	$ 5,250,131	$ 4,214,817

Estimated Annualized Delivery Bill Impacts	Customer 1	Customer 2	Customer 3
Assuming 2012 rates	$ 351,848	$ 571,358	$ 495,337
April 1, 2013 rate change	$ 2,195	$ (44,488)	$ (39,886)
Assuming 2013 rates	$ 354,043	$ 526,870	$ 455,452
Increase in Customer Charge (90%)	$ 12,130	$ 13,540	$ 13,540
Increase in Delivery kW Charge (90%)	$ 3,321	$ 26,376	$ 20,724
Include loss factors on HLF Power	$ 576	$ 5,483	$ 6,128
Eliminate 11 mos demand	$ -	$ -	$ -
Bill on HLF kW used, not full allocation	$ (65)	$ (7,911)	$ (4,146)
Estimated July 1, 2013 annualized delivery charges	$ 370,004	$ 564,358	$ 491,697
Increase in Customer Charge (100%)	$ 4,330	$ 4,200	$ 4,200
Increase in Delivery kW Charge (100%)	$ 2,804	$ 21,450	$ 17,087
Estimated January 1, 2016 annualized delivery charges	$ 377,138	$ 590,008	$ 512,984
Percent Change: April 1, 2013	0.6%	-7.8%	-8.1%
Percent Change: July 1, 2013	4.5%	7.1%	8.0%
Percent Change: January 1, 2016	1.9%	4.5%	4.3%
Total due to HLF Filing	6.4%	11.7%	12.3%

Estimated Annualized Total Bill Impacts	Customer 1	Customer 2	Customer 3
Assuming 2012 rates	$ 2,288,954	$ 5,250,131	$ 4,214,817
April 1, 2013 rate change	$ 2,195	$ (44,488)	$ (39,886)
Assuming 2013 rates	$ 2,291,149	$ 5,205,643	$ 4,174,931
Increase in Customer Charge (90%)	$ 12,130	$ 13,540	$ 13,540
Increase in Delivery kW Charge (90%)	$ 3,321	$ 26,376	$ 20,724
Include loss factors on HLF Power	$ (1,343)	$ 422	$ 3,023
Eliminate 11 mos demand	$ -	$ -	$ -
Bill on HLF kW used, not full allocation	$ (65)	$ (7,911)	$ (4,146)
Estimated July 1, 2013 annualized total charges	$ 2,305,191	$ 5,238,070	$ 4,208,071
Increase in Customer Charge (100%)	$ 4,330	$ 4,200	$ 4,200
Increase in Delivery kW Charge (100%)	$ 2,804	$ 21,450	$ 17,087
Estimated January 1, 2016 annualized total charges	$ 2,312,326	$ 5,263,721	$ 4,229,359
Percent Change: April 1, 2013	0.1%	-0.8%	-0.9%
Percent Change: July 1, 2013	0.6%	0.6%	0.8%
Percent Change: January 1, 2016	0.3%	0.5%	0.5%
Total due to HLF Filing	0.9%	1.1%	1.3%

ASSUMPTIONS:

All customers are transmission voltage delivery level (VDL).

To isolate bill impacts to those changes from the HLF phase-in, the reference Retail Tariff rates used in these analyses are those in effect at July 1, 2013.

The current customer charge is $1,726.55 per month if there is no supplemental usage or the full standard tariff rate if there is supplemental uage. The proposal increases the customer charge to 90% of the full standard tariff delivery rate on July 1, 2013, or $3,150 per month. On January 1, 2016, the customer charge increases to the full standard tariff delivery rate.

The proposal increases the HLF kW demand rate from $2.08 per kW to 90% of the full standard tariff delivery rate on July 1, 2013, or $2.394 per kW. On January 1, 2016, the demand rate increases to the full standard tariff delivery rate.

This proposal eliminates the 11-month demand ratchet, but since that was waived to allow these customers to receive their RNY allocations, that benefit was captured in 2012 when they received their RNY allocations.

This proposal adopts the metered demand provision and loss factors from the standard tariff.

Customer 1 has a Niagara Expansion Power (EP) Allocation. So as to isolate the effects of the proposed HLF-related rate changes, the EP-related values are assumed constant in this analysis.

NYPA's Energy Cost Savings Benefit program (ECSB) ended on June 30, 2012. That program allowed NYPA to provide below market power to HLF customers. The estimates shown here assume that NYPA will provide HLF commodity at market prices, which are forecast to be $0.038 per kWh in the west and $0.045 per kWh in the east.

RNY commodity is priced per NYPA's RNY-1 Tariff. One-half of RNY power is from NYPA hydro. One-half is at market rates.

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ATTACHMENT 2

DRAFT TARIFF LEAVES

IMPLEMENTING HLF RATE PHASE-IN

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SERVICE CLASSIFICATION NO. 4
UNTRANSFORMED SERVICE TO CERTAIN CUSTOMERS TAKING POWER FROM PROJECTS OF THE NEW YORK POWER AUTHORITY

APPLICABLE TO USE OF SERVICE FOR:

The supply by the Company of:

(1) transmission, distribution and delivery by the Company of Replacement Power and Expansion Power (collectively referred to herein as "Niagara Power") produced by the New York Power Authority's ("NYPA") Niagara Project under the provisions of the Settlement Agreement dated April 21, 2004 and approved by the Federal Energy Regulatory Commission by order dated July 9, 2004 in Docket No. ER03-989-000 ("Niagara Power Delivery Service"); and

(2) transmission, distribution and delivery by the Company of High Load Factor ("HLF") Power provided by NYPA from Authority Sources (as defined in section 1005 of the Public Authorities Law under the provisions of the Settlement Agreement between the Company, NYPA and the New York State Department of Public Service dated May 27, 1997 and approved by the Commission in Orders dated May 23, 1997, June 10, 1997 and August 20, 1997 in Cases 97-E-0528 and 97-E-0569 ("the May 22, 1997 Settlement")(hereinafter referred to as "HLF Delivery Service")); and

(3) transmission, distribution and delivery by the Company of that portion of the customer's contract demand for Preservation Power produced by NYPA's St. Lawrence Project that is sold to such customer pursuant to the provisions of section 1005(13) of the Public Authorities Law ("Preservation Power Delivery Service"); and

(4) the supplemental electric service requirements of an individual customer who has contracted to receive (A) Niagara Power Delivery Service; and/or (B) Preservation Power Delivery Service; and/or (C) HLF Delivery Service under this rate schedule SC-4 (hereinafter referred to as "SC-4 Supplemental Service").

Customers receiving any form of ESS from NYPA other than:

(i) Niagara Power,
(ii) HLF Power,
(iii) Economic Development Power under Rule 34.4,
(iv) Power for Jobs Power under Rule 34.5, and/or
(v) Preservation Power eligible for delivery under subpart (3) above.

shall receive all of their commodity requirements under the retail access program rules set out in Rule 39 of this Tariff at the delivery rates established therein.

Service hereunder is available throughout the Company's service area from existing circuits of adequate capacity and appropriate character.

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SERVICE CLASSIFICATION NO. 4 (Continued)

The Company may require the customer to apply for service under this rate schedule upon the Company's prescribed written forms and to attach any applicable riders thereto. When accepted by the Company, such application shall constitute an agreement for the supply of service hereunder, but the customer's failure to submit such a written application shall not relieve it of the obligation to pay the rates and charges established herein for service subject to the provisions of this rate schedule. In no event shall a customer failing to execute a service agreement with the Company be eligible to participate in the Company's Retail Access Program for the portion of the load met by SC-4 Supplemental Service.

CHARACTER OF SERVICE:

Continuous. Three-phase alternating current, approximately 60 Hz. Company will determine the voltage available and appropriate for the customer's total Electric Service requirements.

PARENT SERVICE CLASSIFICATION RATES FOR SC-4 SUPPLEMENTAL SERVICE:
Customers receiving SC-4 Supplemental Service shall be assigned the following parent service classifications for supplemental service provided under this Rate Schedule:

1. **Customers Served Under SC-3A Before September 1, 1998**

   When the sum of the customer's monthly demand for SC-4 Supplemental Service, HLF Delivery Service, and PFJ and EDP Service under Rule 34, but excluding Niagara Power Delivery Service, has exceeded 2,000 kW in any two consecutive months of the previous twelve months, or whenever in the Company's opinion the applicant's demand will exceed 2,000 kW in any two consecutive months. Effective July 1, 2013, billed demands for Niagara Power Delivery Service shall also be included in determining whether the customer's demands exceed 2,000 kW. A customer once assigned under Service Classification No. 3-A and/or Parent Service Classification No. 3-A shall remain on this parent service classification until the monthly measured demand has been 1,500 kW or less for twelve consecutive months following the initial Term of Service.

2. **Customers Served Under SC-3A After September 1, 1998**

   When the sum of the customer's monthly demand for SC-4 Supplemental Service, HLF Delivery Service, Preservation Power Delivery Service, and PFJ and EDP Service under Rule 34, but excluding Niagara Power Delivery Service, has exceeded 2,000 kW in any six consecutive months of the previous twelve months, or whenever in the Company's opinion the applicant's demand will exceed 2,000 kW in any six consecutive months. Effective July 1, 2013, billed demands for Niagara Power Delivery Service shall also be included in determining whether the customer's demands exceed 2,000 kW. A customer once assigned under Service Classification No. 3-A and/or Parent Service Classification No. 3-A shall remain on this parent service classification until the monthly measured demand has been 1,800 kW or less for six consecutive months following the initial Term of Service.

3. **All Other Customers**

   All customers receiving SC-4 Supplemental Service that do not qualify for Parent Service Classification No. 3-A will be assigned to Parent Service Classification No. 3.

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SERVICE CLASSIFICATION NO. 4 (Continued)

In either event, the rates, terms and conditions specified in the applicable parent service classification shall apply to SC-4 Supplemental Service, subject to the terms of the Special Provisions of this Rate Schedule S.C. No. 4.

CALENDAR MONTH BILLING FOR NIAGARA POWER DELIVERY SERVICE, HLF DELIVERY SERVICE, PRESERVATION POWER DELIVERY SERVICE, AND SC-4 SUPPLEMENTAL SERVICE

The rates applicable to Niagara Power Delivery Service, HLF Delivery Service, Preservation Power Delivery Service, and SC-4 Supplemental Service shall be for a calendar month billing period.

DETERMINATION OF BILLING QUANTITIES

1. Company will normally furnish and install meters at the customer’s expense to measure the total electric service taken by the customer, including SC-4 Supplemental Service, Niagara Power Delivery Service, Preservation Power Delivery Service and HLF Delivery Service. When the metering voltage is either higher or lower than the delivery voltage, such measurements shall be conformed to the delivery voltage measurements as provided in Rule 25.4 of the General Information.

2. Metering facilities may be installed by NYPA instead of by the Company with the Company’s approval. In this case, the metering equipment and installation must meet the specifications of both the Company and the New York State Public Service Commission and the customer shall be eligible for a metering credit pursuant to Rule 25.1.1.1.

3. **Billing Quantities for deliveries of demand associated with Niagara Power Delivery Service for Expansion Power and Replacement Power Rate 1 and Replacement Power Rate 2**

   Effective until June 30, 2013, the customer’s billed demand for Niagara Power Delivery Service associated with Expansion, Replacement Power Rate 1 and Replacement Power Rate 2 shall be the kilowatts of such service which the customer is entitled to receive under its allocation agreement(s) with NYPA. Effective July 1, 2013, the customer’s billed demand for Niagara Power Delivery Service associated with Expansion Power and Replacement Power Rate 1 shall be the lesser of the customer’s contract demand for Niagara Power Delivery Service (adjusted for losses as provided in subparts (b) and 4(c) below) or the highest 30-minute integrated demand recorded on the customer’s meter for the current billing period, and the customer’s billed demand for Niagara Power Delivery Service associated with Replacement Power Rate 2 shall be the kilowatts of such service which the customer is entitled to receive under its allocation agreement(s) with NYPA (adjusted for losses from the Niagara Switchyard to the customer’s meter as provided in sections 4(b) and 4(c) below).

4. **Billing Quantities for deliveries of energy associated with Niagara Power Delivery Service for Expansion Power and Replacement Power Rate 1**

   (a) Effective until June 30, 2013: The billed energy in each 30-minute billing interval for Niagara Power Delivery Service for Expansion Power and for Replacement Power Rate 1 shall be the total number of kilowatt-hours recorded on the customer’s meter for the billing period multiplied by the ratio of the customer’s demand for Expansion Power and Replacement Power Rate 1 (adjusted for losses as provided in subparts b and c below) to the greater of the customer’s loss-adjusted contract demand for Expansion Power and/or Replacement Power Rate 1 or the highest 30 minute integrated demand recorded on the customer’s meter in the twelve months ending with the current billing period.

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(ii) The customer's metered demands for Preservation Power Delivery Service shall be adjusted for losses from the customer's meter to the St. Lawrence Switchyard as provided in Rule 39.18 of this Tariff.

7. **Billing Quantities for HLF Delivery Service**

a. Effective until June 30, 2013, the billed demand for HLF Delivery Service taken hereunder shall be the kilowatts of such service which the customer is entitled to receive under its allocation agreement(s) with NYPA. The metered demand for HLF Delivery Service taken hereunder shall be the product of the customer's highest 30-minute integrated demand in the billing period recorded on the customer's meter multiplied by the ratio of the customer's contract demand for HLF Delivery Service to the greater of the customer's contract demand for HLF Delivery Service or the highest 30-minute integrated demand recorded on the customer's meter for the twelve months ending with the current billing period.

Effective July 1, 2013, the customer's billed demand for HLF Delivery Service shall be the product of the customer's highest 30-minute integrated demand in the billing period recorded on the customer's meter multiplied by the ratio of the customer's contract demand, adjusted for losses as provided in Sub Part (c) below, for HLF Delivery service to the greater of the customer's contract demand for HLF Delivery Service or the highest 30-minute integrated demand recorded on the customer's meter in the current billing period.

b. Effective until June 30, 2013, the billed energy in each 30-minute billing interval for HLF Delivery Service shall be the total number of kilowatt-hours recorded on the customer's meter for the billing period multiplied by the ratio of the customer's contract demand for HLF Delivery Service to the greater of the customer's contract demand for HLF Delivery Service or the highest 30 minute integrated demand recorded on the customer's meter in the twelve months ending with the current billing period.

Effective July 1, 2013, the billed energy in each 30-minute billing interval for HLF Delivery Service shall be the total number of kilowatt-hours recorded on the customer's meter for the billing period multiplied by the ratio of the customer's contract demand, adjusted for losses as provided in Sub Part (c) below, for HLF Delivery Service to the greater of the customer's contract demand for HLF delivery or the highest 30 minute integrated demand recorded on the customer's meter in the current billing period.

c. Adjustment for Losses for HLF Delivery Service: Effective July 1, 2013, the billed demand and billed energy in (a) and (b) above will be adjusted for losses as provided in Rule 39.18 of this tariff.

8. For each of the Company's subzones in which NYPA power is delivered to customers under this Rate Schedule S.C. No. 4, the Company will calculate an Unaccounted for Energy Factor for NYPA load. Unaccounted for Energy is generally defined as the difference between the NYISO reported wholesale subzone(s) load and the sum of LSE load, Municipality load, Load Modifiers, NYPA load and the Company's load, including adjustments for distribution losses (efficiency factor). The Company also adjusts applicable LSE's load to account for the average system wide Unaccounted for Energy in accordance with Rule 39.

The difference between the monthly NYISO reported wholesale subzone load and the sum of the applicable subzone load of the Company, NYPA, Municipalities, and the Rule 39 adjusted LSE's load, including adjustments for distribution losses (efficiency factor), is the monthly subzone Unaccounted for Energy. This quantity of monthly subzone Unaccounted for Energy in question is allocated to the Company and NYPA on an hourly based subzonal load ratio share. The Company will report to the NYISO for NYISO billing and settlement purposes, the NYPA subzone load requirements, inclusive of the monthly subzone Unaccounted for Energy adjustment and distribution loss adjustments

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9. Billing Quantities for SC-4 Supplemental Service

a. The demand billed for SC-4 Supplemental Service taken hereunder shall be the greater of:

(1) The amount, if any, by which the overall maximum 30 minute integrated demand as established by metering within the billing period exceeds the sum of:

(a) the customer's demands for Niagara Power Delivery Service (adjusted for losses between the Niagara Switchyard and the customer's meter as provided in paragraphs 4 and 5 above); and

(b) the customer's demands for Preservation Power Delivery Service (adjusted for losses between the St. Lawrence Switchyard and the customer's meter as provided in paragraph 4 above); and

(c) the customer's demands for HLF Delivery Service as determined at the meter according to the provisions of paragraph 7 above; and

(d) the customer's demands for EDP and/or PFJ Power supplied under Rule 34; or

(2) The number of kilowatts of SC-4 Supplemental Service contracted for by the customer with the Company and documented on the Company's Form "C"; or

(3) The minimum demand provisions of the Parent Service Classification as defined above.

b. The billed kilowatt-hours of SC-4 Supplemental Service in each 30 minute interval shall be the amount, if any, by which the total kilowatt-hours at delivery voltage for that interval exceeds the sum of:

(1) the kilowatt-hours of Niagara Power Delivery Service received by the customer at the customer's meter in that interval; and

(2) the kilowatt-hours of Preservation Power Delivery Service received by the customer at the customer's meter in that interval; and

(3) the kilowatt-hours of HLF Delivery Service received by the customer at the customer's meter in that interval; and

(4) the kilowatt-hours of EDP and/or PFJR Service received by the customer under Rule 34 in that interval;

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(4) the kilowatt-hours of EDP and/or PFJR Service received by the customer under Rule 34 in that interval;

Provided, however, that no customer shall be deemed to have received more kilowatt-hours from these four sources during any interval than its actual total metered kilowatt-hours received during that interval.

10. The Reactive Demand shall be the highest average RkVA of lagging reactive demand from all sources measured over a thirty minute interval during the month less one-third of the highest kW demand measured during the month.

TERMS OF PAYMENT

Bills are due and payable when rendered. Full payment must be received on or before the date shown on the bill to avoid a late payment charge pursuant to Rule 26.4.

TERM

Initial term of one (1) year and to continue thereafter for successive one (1) year terms until canceled effective at the expiration of the initial or any succeeding one (1) year term by the customer by a notice in writing served on the Company not less than ninety (90) days prior to the termination of the initial or any succeeding term, provided however that the service hereunder will be supplied only when taken in conjunction with NYPA power and regardless of term provisions will terminate upon permanent cessation of the supply to customer of said NYPA power. In the event that the customer terminates its ESS arrangement with NYPA prior to its expiration according to its terms, the Company shall require written confirmation from both NYPA and the customer before terminating the customer's SC-4 service agreement.

SPECIAL PROVISIONS:

A. **Company Facilities:** Company shall not be required to provide facilities for SC-4 Supplemental Service, Niagara Power Delivery Service, Preservation Power Delivery Service or HLF Delivery Service in excess of the amount of the total demands for such services specified in the customer's Application for Service.

B. **Billing Period Adjustments:** For a fractional part of a billing period at the beginning or end of service, the kilowatt Demand and Reactive Demand charges and the minimum charge shall each be proportionately adjusted in the ratio that the number of hours that electric service is furnished to customer in such fractional billing period bears to the total number of hours in the billing period involved.

C. **Metering Voltage:** When service is metered at a voltage either higher or lower than the voltage of delivery, metered quantities will be adjusted for billing as provided in Rule 25.4 of General Information.

D. **On-Site Generation Special Provision:** Customers are obligated to certify, subject to the Company's approval, on-site generation (OSG) installations on the Company's Form G, Application For Electric Standby Service, and will be subject to the provisions of Service Classification No. 7 unless the customer has electrically isolated a portion of their load as defined in Rule 1.48 or has installed the OSG to be used exclusively as an Emergency Power System as defined in Rule 1.50.

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E. **Individually Negotiated Rates:** The Company will entertain, when circumstances warrant and when NYPA consents to any required changes in the applicable billing methodology for the delivery of NYPA Power, individually negotiated contracts under rate schedule S.C. No. 12 with customers who would otherwise be served under this Service Classification.

F. **Exemption from Certain Provisions of Rate Schedule S.C. No. 3:** Customers receiving SC-4 Supplemental Service under rate schedule S.C. No. 4 who are billed in accordance with the provisions of rate schedule S.C. No. 3 shall be exempt from Special Provisions E, F, and H of that rate schedule.

G. **Special Rule for SC-4 Supplemental Service:** SC-4 Supplemental Service shall be subject to all surcharges and tax factors imposed on service under the applicable Parent Service Classification, including without limitation the SBC established in Rule 41, the Renewable Portfolio Surcharge established in Rule 49 and the Tax Factor established in Rule 32.

H. **Special Rules for HLF Delivery Service**

(1) HLF Delivery Service shall be subject to Rule No. 56-Incremental State Assessment Surcharge, Rule No. 59-Temporary Deferral Recovery Surcharge/Credit, and the Tax Factor established in Rule 32.

(2) In the event that the customer fails to execute a Form C Agreement specifying its contract demand for HLF Delivery Service, the customer's contract demand for such service shall be deemed to be the lesser of:

(a) the customer's maximum entitlement to HLF Delivery Service under the May 22, 1997 Settlement; or

(b) the amount of firm point-to-point transmission capacity on the Company's system reserved by NYPA for deliveries to the customer, adjusted for losses in transmission and distribution.

(3) (a) In the event that the customer's total allocation(s) of HLF Power at a single location is reduced the following special rules shall apply:

(i) If SC-4 Supplemental Service did not contribute to meeting the customer's maximum demand in the billing month or any of the eleven preceding months prior to July 1, 2013 only, the customer's demand in the months preceding the reduction of the customer's total NYPA ESS shall not be considered in calculating the customer's bills under subpart (a) above, and

(ii) If SC-4 Supplemental Service did contribute to the customer's maximum demand in the billing month or any of the preceding eleven billing months, the Company shall adjust the customer's maximum demand for each of the preceding eleven months prior to July 1, 2013 only solely for the purpose of calculating the current month's bills for HLF Service.

This adjustment shall be performed by subtracting the contribution to the customer's maximum metered demand in each of the preceding eleven billing months prior to July 1, 2013 only, made by the customer's reduced contract capacity for NYPA ESS from the customer's overall maximum metered demand in each such month. These adjusted monthly maximum metered demands shall then be used to determine the customer's bill for HLF Delivery Service for the current month.

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(b) Notwithstanding the provisions of subpart (a) of this Special Provision (H) (3), no deliveries of NYPA power received by the customer prior to September 1, 1998 shall be considered in calculating the amounts owed by the customer to the Company for HLF Delivery Service received by the customer on or after that date.

(4) HLF Delivery Service shall be restricted to customers that would qualify for service under the Company's rate schedule S.C. No. 3-A based on their combined actual demands for SC-4 Supplemental Service, HLF Delivery Service and PFJR Service.

I. **Special Rules for Niagara Power Delivery Service and Preservation Power Delivery Service**

1. Preservation Power Delivery Service and Niagara Power Delivery Service associated with "New" allocations of Expansion and Replacement Power are subject to the Tax Factor established in Rule 32, Rule No. 56 – Incremental State Assessment Surcharge ("ISAS"), and Rule 59 –Temporary Deferral Recovery Surcharge/Credit.

2. Niagara Power Delivery Service associated with "Existing" allocations of Expansion and Replacement Power and "Additional" allocations of Expansion Power are subject to the Tax Factor established in Rule 32, Rule No. 56- Incremental State Assessment Surcharge ("ISAS"),. and Rule 59 –Temporary Deferral Recovery Surcharge/Credit.

3. For those customers whose agreements with NYPA and the Company include an historic demand, the historic demand will be billed as SC-4 Supplemental Service and will be subtracted from the current month's metered demand and (prior to July 1, 2013 only for Niagara Power Delivery Service) from the peak demand of the preceding 12 full months to establish the remaining demand then apportioned to NYPA Service (whether in the form of Niagara Power Delivery Service of Preservation Power Delivery Service) and SC-4 Supplemental Service (as additional power). In no instance, however, shall the total demand (the sum of the historic and additional power demands) billed by Company under its rates exceed the total metered demand for the billing period.

   The energy associated with the historic demand will be determined by apportioning the total metered energy by the ratio that the historic demand (supplied by the Company) bears to the metered demand for the current month. The energy associated with all other deliveries of power will be determined in accordance with the applicable provisions of this Rate Schedule S.C. No. 4 with the following modifications:

   1. The customer's metered demand shall be reduced by the amount of the historic demand.

   2. The customer's maximum demand for the preceding 11 months shall be reduced by the amount of the historic demand. For Niagara Power Delivery Service provided prior to July 1, 2013 only, the customer's maximum demand for the preceding 11 months shall be reduced by the amount of the historic demand.

   3. The customer's metered energy shall also be reduced by the amount of energy associated with the historic demand as determined above.

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J. **Customer Charges For HLF Delivery Service, effective until June 30, 2013:**

Customers eligible to receive HLF Delivery Service shall be subject to Customer Charges which are established based upon whether or not the customer utilizes supplemental electric service from the Company.

Customers who do not use supplemental electric service shall have their customer charges frozen at the rates below.

Delivery Level	Without Supplemental Electric Service	With Supplemental Electric Service
Secondary (<2.2 kV)	$902.00	$902.00
Primary (2.2 B 15 kV)	$902.00	$902.00
Subtransmission (22 B 50 kV)	$1,400.00	$1,400.00
Transmission (>60 kV)	$1,726.55	$3,172.00

Customers who utilize supplemental electric service shall have their customer charges set equal to the customer charges established in Rate Schedule S.C. No. 3A as shown above.

Customer Charges For HLF Delivery Service, effective July 1, 2013:
Effective July 1, 2013, the monthly Customer Charge will be equal to 90% of the HLF Delivery Service customer's parent service classification Customer Charge.

Customer Charges For HLF Delivery Service, effective January 1, 2016:
Effective January 1, 2016, the monthly Customer Charge will be equal to 100% of the HLF Delivery Service customer's parent service classification Customer Charge.

K. **Distribution Delivery Rates for HLF Delivery Service, effective until June 30, 2013:**
Customers eligible to receive HLF Delivery Service shall be subject to distribution delivery rates as set out below:

Rate per kW of Delivery level Contract Demand

Secondary (<2.2 kV)	$6.09
Primary (2.2 B 15 kV)	$8.09
Subtransmission (22 B 50 kV)	$2.59
Transmission (>60 kV)	$2.08

. **Distribution Delivery Rates for HLF Delivery Service, effective July 1, 2013:**
Effective July 1, 2013, the per kW Distribution Demand Charge will be equal to 90% of the HLF Delivery Service customer's parent service classification Distribution demand Charge.

Customer Charges For HLF Delivery Service, effective January 1, 2016:
Effective January 1, 2016, the per kW Distribution Demand Charge will be equal to 100% of the HLF Delivery Service customer's parent service classification Distribution Demand Charge.

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c. **Existing Allocations** as used in Special Provision L above shall be defined as allocations of Expansion and Replacement Power which are not New Allocations or Additional Allocations. A customer with one or more Existing Allocation may receive one or more New and/or Additional Allocations without causing its Existing Allocations to be classified as New or Additional Allocations under this service classification.

N. **Electricity Supply Service Under Rate Schedule S.C. No. 4**

a. Effective Until June 30, 2013: The Company shall purchase ESS associated with Niagara Power Delivery Service from NYPA and resell such ESS to the customer with no markup pursuant to the provisions of an agreement between the Company, the customer and NYPA.

Effective July 1, 2013: NYPA shall sell ESS associated with Niagara Power Delivery Service directly to the customer and shall be solely responsible for billing and collection of any and all charges for such service, including without limitation any and all charges imposed by the NYISO on Load Serving Entities providing ESS to the Company's retail customers

b. NYPA shall sell ESS associated with HLF Delivery Service and Preservation Power directly to the customer and shall be solely responsible for billing and collection of such charges. NYPA shall serve as the LSE under the NYISO OATT for all purposes with respect to the ESS associated with HLF Delivery Service and Preservation Power Delivery Service.

c. ESS associated with SC-4 Supplemental Service shall be provided by the Company under Rule 46, unless the customer affirmatively elects and qualifies to receive ESS from an alternate supplier as provided in Rule 39. The Company shall serve as the LSE under the NYISO OATT for all purposes with respect to such SC-4 Supplemental Service.

O. **Special Rule For Certain Grandfathered Deliveries of St. Lawrence Power**

Commencing January 1, 2008, those customers to whom the Company made retail deliveries of electricity produced by NYPA's St. Lawrence Project ("St. Lawrence Power") on November 1, 1999 shall be eligible to receive Delivery Service from the Company for the amount of St. Lawrence Power which the Company was contractually obligated to deliver to the customer on November 1, 1999. Such Delivery Service shall be provided at the rates, terms and conditions for deliveries of Existing Allocations of Expansion Power established in this Service Classification No. 4, provided however that NYPA shall sell ESS associated with such deliveries directly to the customer and shall be solely responsible for billing and collection of such charges.