



September 24, 2014

Honorable Kathleen H. Burgess, 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 Burgess:

The attached leaves and Statements, issued by Niagara Mohawk Power Corporation d/b/a National Grid ("Company") are being transmitted for filing in accordance with the requirements of the New York State Public Service Commission ("Commission").

Sixth Revised Leaf No. 222.1
Sixth Revised Leaf No. 222.2

Merchant Function Charge Statement No. 9

To P.S.C. No. 220 Electricity

Effective January 1, 2015

Merchant Function Charge Statement No. 9

To P.S.C. No. 214 Electricity

Effective January 1, 2015

The purpose of this filing is to propose a change to the calculation of two of the components included in Rule 42 - Merchant Function Charge (MFC). The MFC is a mechanism that permits the Company to recover from customers receiving electric commodity service from the Company the followings costs associated with providing service: (a) electricity supply procurement; (b) electricity supply credit and collection; (c) electricity supply uncollectible expenses; and (d) working capital on purchased power costs.. The electricity supply procurement and electricity supply credit and collections components are per kWh rate applied to a customer's kWh usage. The electricity supply uncollectible expense and working capital on purchased power cost components are percentage factors multiplied by the electricity supply cost.

In the Company's original testimony filed April 27, 2012 in Case 12-E-0201, the Company proposed that the electricity supply uncollectible expense and working capital on purchased power cost percentages should be applied to both the electricity supply cost and the Electricity Supply Reconciliation Mechanism (ESRM) on a customer's bill. The ESRM on a customer's bill includes the reconciliation of forecast to actual supply costs and also includes the New Hedge Adjustment (NHA) for mass market customers (SC-1 and SC-2ND). The NHA includes the net benefits or net costs of hedges that the Company purchases for mass market customers. The Company subsequently discovered that this change in methodology was inadvertently omitted in the Joint Proposal issued December 20, 2012 in Case 12-E-0201 and the Company continued to apply the electricity supply uncollectible expense and working capital on purchased power cost percentages only to the electricity supply costs on customer's bills. The Company believes that this proposed revision to the MFC calculation is appropriate and that the MFC factors should be applied to the customer's total supply cost which includes the ESRM and the NHA.

The revised MFC Statements reflects the changes to the note on the bottom of the statement that specifies how the uncollectible and working capital percentages will be applied on the customer's bill. The rates included on these attached statements have not changed from the statements that became effective April 5, 2014. Attachment 1 of this filing contains redlined leaves and redlined statements showing where these proposed revisions have occurred.

The Company requests that the requirements of Public Service Law §66(12)(b) and 16 NYCRR 720.8.1 regarding newspaper publication of these further revisions be waived for this filing since these changes were originally included in the Company's original rate case filing.

This filing is being made in accordance with Appendix 7-H (electronic filing system) to the Commission's Codes Rules and Regulations (16 NYCRR, Appendix 7-H).

Any questions on this filing may be directed to Carol Teixeira, Manager, New York Electric Pricing at (315) 428-6104.

Sincerely,

/s/ Carol Teixeira

Carol Teixeira, Manager
New York Electric Pricing

PJR