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May 14, 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, listed on Attachment A, 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").

On April 29, 2014, the Company met with Department of Public Service Staff ("Staff") to discuss proposed changes to the Company's existing commodity rate mechanisms included in Rule 46-Electricity Supply Charges of the Company's tariff, PSC No. 220 –Electricity. As discussed in the meeting, the unanticipated extreme cold weather experienced in the Northeast this winter resulted in significant increases in electric supply costs above the forecast rates. Those higher costs were reconciled for recovery in accordance with the Company's tariff and customers experienced significant volatility in month to month supply costs. In response to that significant volatility, the Company submits the attached tariff revisions to the Rule 46 commodity rate mechanisms, which will provide the Company with a measure of flexibility to manage significant volatility resulting from the reconciliation of commodity costs, like those experienced in January and March this year, for its residential and small commercial customers (mass market customers).

The Company proposes three main tariff revisions. The first revision is to the New Hedge Adjustment ("NHA"), which charges or credits customers the costs or benefits of the Company's hedging strategy on a monthly basis. The proposed revision would enable the Company to allocate the costs or benefits of an enhanced supply portfolio hedging strategy by NYISO zone. A zonal NHA rate would align the hedges with the specific zones and thus provide residential and small commercial customers with additional protection against market volatility.[1]

The second revision is to the Mass Market Adjustment ("MMA") component of the Electricity Supply Reconciliation Mechanism ("ESRM"). Residential and small commercial customers' supply rates are forecasted by zone each month. Variances between forecast and actual market prices can cause large reconciliations in subsequent months. Currently, when the actual market prices differ from the forecast, these costs or credits are socialized across all zones through the MMA. The proposed tariff revisions would enable the Company to reconcile the MMA by zone to reflect the actual zonal market prices thereby ensuring customers receive the credits or pay the charges incurred in their zone.

The third proposed revision would allow the Company to have more flexibility in the timing of its reconciliation of revenues and expenses for mass market customers. The tariff currently requires that all commodity related rate mechanisms be fully reconciled in one month,[2] which has the potential to create

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[1] Initially, the Company proposes to manage to separate portfolios, one for Zones A-E and one for Zone F. The portfolios are grouped in this manner based on the similar price characteristics in Groups A-E. However, the language proposed provides the Company with the flexibility to switch from the two portfolios to up to six portfolios if such a switch is beneficial for customers.

[2] Those costs or credits are collected from or credited to customers on a two month lag meaning that they are reflected in customers' bills two months after the costs are incurred. (See generally Rule 46.3)

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month to month commodity volatility. The proposed revision would enable the Company to spread out the monthly supply cost reconciliations over two or more months, where appropriate.

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 because the Company believes the revisions will not affect the commodity rates charged to customers. The actual commodity rates paid by the Company will continue to be passed through to customers. The proposed revisions will merely provide the Company with discretion as to the timing of the reconciliations and to more accurately reflect zonal prices. However, if the Commission believes that publication is necessary, the Company respectfully requests a waiver until the Commission approves the proposed revisions to avoid any customer confusion potentially created by multiple publications.

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 Pamela B. Dise, Director, New York Pricing at (315) 428-5172.

Sincerely,

/s/*Pamela B. Dise*

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Attachment A

Seventh Revised Leaf No. 229
Sixth Revised Leaf No. 229.1
Fourth Revised Leaf No. 229.1.1
Second Revised Leaf No. 229.2
Second Revised Leaf No. 229.3

To P.S.C. No. 220 Electricity

Effective: August 28, 2014