Received: 10/30/2015

October 30, 2015

Honorable Kathleen H. Burgess, Secretary
State of New York
Public Service Commission
Office of the Secretary, 19th Floor
Three Empire State Plaza
Albany, NY 12223

Dear Secretary Burgess:

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

Eighth Revised Leaf No. 8
Fourth Revised Leaf No. 9.6
Fourteenth Revised Leaf No. 10
Sixth Revised Leaf No. 12
Eighth Revised Leaf No. 28
Twelfth Revised Leaf No. 30
Thirteenth Revised Leaf No. 31
Ninth Revised Leaf No. 44
Eighth Revised Leaf No. 47
Original Leaf No. 47.1
Ninth Revised Leaf No. 51

To P.S.C. No. 214 Electricity

Effective: April 1, 2016

Tariff Amendments

The purpose of this filing is to propose a Light Emitting Diode ("LED") option under PSC 214 Service Classification No. 2 – Street Lighting – Unmetered Company Owned / Company Maintained facility ("SC-2"). Municipalities within the Company's service territory have expressed interest in replacing current non-LED fixtures with LED fixtures. In response to this interest, the Company proposes to offer four (4) LED fixture options, which are presented in Attachment No. 1. The proposed tariff offering will include Roadway Luminaires in four (4) different sizes (labeled as LED A through D) that will be available to replace luminaires in the current Roadway offerings of 70, 100, 150, 250 and 400 watts. The following information is also included in Attachment No. 1 for each LED option:

- Proposed LED fixture watts, lumens, annual billed kWh estimate, derivation of the annual facility charge from estimated installation costs, carrying charges and annual maintenance estimates, estimated annual volumetric charges (including an estimate of commodity and applicable surcharges) and the resulting total annual LED cost estimate.

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- Current non-LED tariffed fixtures that may be replaced by an LED option, including the fixture watts, lumens, annual billed kWh estimate, and currently approved annual facility charge. Also included are the estimated annual volumetric charges (including an estimate of commodity and applicable surcharges) and the resulting total annual estimated costs.

- The estimated annual LED benefit / cost based on the difference between the estimated annual charges under the proposed LED option as compared to the estimated annual charges under the current non-LED tariffed option.

As indicated in Attachment No. 1, annual savings are available under all LED replacement options, with the exception of LED B. LED B does not provide savings when replacing the HPS Roadway, 100 Watt luminaire. However, savings are available when this luminaire is replaced by LED A.

Recovery of Undepreciated Investment

The current SC-2 tariff requires the customer requesting a permanent discontinuance of facilities to compensate the Company for the facility's undepreciated book value, removal costs and any system reconfiguration costs. For the conversion of a Company-owned non-LED facility to a Company-owned LED facility, removal costs will not be collected directly from the customer requesting the LED installations. The undepreciated net book value and system reconfiguration costs will be collected directly from the customer requesting the LED installations and such costs will be dependent upon the specific installations.

The current fixtures have little to no salvage value and their replacement will result in a balance of undepreciated investment. The Company proposes to collect the resulting undepreciated book value directly from the customer that is requesting the replacement of facilities with an LED option. The undepreciated book value will be determined by the Company and will be based on the undepreciated book value of the Customer's actual currently installed luminaires. The Company will provide customers with two options for paying the undepreciated book value. The first will be to pay the entire value upfront. The Company is in discussions with the Green Bank of NY to identify potential options that may assist customers in obtaining financing for an upfront payment option. Second, the Company and customer may agree on a payment plan where the Customer would make monthly payments for a period not to exceed ten (10) years, financed at the Company's Pre-Tax Weighted Average Cost of Capital ("WACC"), which is currently 9.79%.

Deferral of Lost Revenue

The Company anticipates it will receive lower street lighting revenues until the Company's next rate case from the conversion of non-LED fixtures to an LED option. These lost revenues are due to three components: 1) lost facility charge revenue 2) cost of removal and 3) lost delivery kWh revenue.

The lost revenue associated with the facility charge revenue is a result of the rate design methodology used to develop the LED facility charge. This methodology is consistent with the methodology that would be used during a rate case, and does not consider the vintage of the asset. To arrive at a facility charge similar to what would have been developed during a rate case, the Company determined the cost to install an HPS facility and an LED offering using the same installation and applicable maintenance cost assumptions. Then the Company compared the resulting HPS facility charge to the current tariff HPS facility charge. The resulting ratio was then applied to the currently derived facility charge for the respective LED-comparable option, resulting in an LED facility charge that will recover only a portion of the fully embedded costs of the LED installation.

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With respect to cost of removal the Company will not charge individual municipalities the removal cost associated with replacing non-LED luminaire. Until the Companies next rate case, there will be lost revenue associated with those unrecovered removal costs.

The Company requests a deferral for future recovery equal to the return of and return on LED facility costs not included in the proposed rate and the incremental cost of removal. The Company will offset the facility costs and the cost of removal by the undepreciated net book recovered from the municipality for the assets being removed. The Company will track these costs and defer recovery until the next rate case.

The lost delivery revenue is a result of the reduced delivery to customers using LEDs as compared to the current HPS Roadway luminaries. Current volumetric rates were determined in the Company's most recent rate case settlement in Case 12-E-0201 and assumed a certain level of kWh deliveries for street lighting. The new LED option offers a more energy efficient light source that will result in less kWh and, therefore, less delivery revenue. Absent a revenue decoupling mechanism ("RDM") for the street lighting reconciliation group, the Company proposes to track the lost delivery revenue in a deferral to be recovered in the next rate case. The lost delivery deferral amount will be tracked on a monthly basis by multiplying i) the number of installed LED facilities by ii) the kWh reduction per LED installation, which is the difference in the billable wattages for the existing luminaires and that of the new installed LED luminaires, and by iii) the current delivery rate of $0.08575 per kWh.

Installation Plan

Replacement of all current luminairies with LED luminaires under SC-2 in the Company's service territory will be a tremendous effort from a resource and logistics standpoint. Replacement will also require a significant capital cost investment. The Company proposes an installation plan that will allow for the successful conversion of existing luminaries to LEDs as quickly as practical. Specifically, the Company proposes a three-year program to convert approximately 54,000 existing roadway luminaires to LED luminaires at an estimated capital cost of $48 million. Up to $42.5 million of these installations will primarily occur in the major municipalities of Albany, Buffalo, and Syracuse. The remaining $5.5 million of expenditures will be apportioned to other interested municipalities on a first come, first serve basis. To the extent the total LED Roadway luminaires to be installed for the designated three municipalities during each of the three years is less than the proposed installations, the difference in each year will be made available for installation to other municipalities on a first come, first served basis. The Company expects to replace approximately 11,000 lights in Year 1 at an estimated capital cost of $8 million, approximately 21,500 lights in Year 2 and Year 3 at an estimated capital cost of $17 million each of those two years. It is estimated that the replacement of the 54,000 LEDs would account for 25% of the roadway luminaires within the current lighting system.

Due to the lead time on purchasing LEDs and the mobilization of work resources, the Company proposes an effective date for the tariff leaves of April 1, 2016 with installations to begin no sooner than June 1, 2016. We will work with Staff and our municipal customers to develop an implementation plan to cover the years beyond the initial three years indicated here. This plan will be included in a future NMPC rate case.

Attachment 3 included with this filing includes redlined leaves to show where the changes have occurred.

Received: 10/30/2015

<u>Request for Newspaper Advertising</u>

The Company has a communication plan in place to notify municipalities of this offering. Because of this plan and the limited scope of this filing, which only affects municipalities, the Company respectfully requests waiver of the newspaper publication requirements of Public Service Law § 66(12)(b) and 16 NYCRR 720.8.

Please advise the undersigned of any questions regarding or action taken with respect to this filing.

Sincerely,

/s/ Carol Teixeira

Carol Teixeira
Manager, NY Electric Pricing

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Attachments