



June 16, 2008

Honorable Jaclyn A. Brillling, Secretary  
State of New York  
Public Service Commission  
Office of the Secretary  
Three Empire State Plaza  
Albany, NY 12223

RE: Case No. 01-M-0075-Joint Petition of Niagara Mohawk Holdings, Inc., Niagara Mohawk Power Corporation, National Grid plc and National Grid USA for Approval of Merger and Stock Acquisition

Dear Secretary Brillling:

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

Statement of Service Quality Assurance Program Credit Statement No. 1

To P.S.C. No. 219 Gas

Effective: June 26, 2008

This filing is being submitted in compliance with Section 1.2.3.7 and Section 9.6 of Attachment 9 to the Merger Rate Plan Joint Proposal dated October 11, 2001 as amended November 6, 2001 and approved in Opinion 01-6 on December 3, 2001 ("Joint Proposal") in the above referenced proceeding. Section 1.2.3.7 Adjustment in the Event of Poor Service Quality requires the Company to report its performance under its Service Quality Assurance Program for the prior year by March 31. Whenever that performance indicates that penalties greater than or equal to \$7.5 million have accrued during the prior year, the Company will reflect the entire amount as a credit to the customer charge of each of its electric and gas customers in accordance with Section 1.2.3.7. Said Section provides that the portion of the credit associated with penalties relating to gas reliability will be determined by dividing the amount of gas reliability penalty accrued in the prior year by the number of the Company's total gas bills expected for the following July.

On March 28, 2008 in compliance with Section 1.2.3.7 and Section 9.2.2 of Attachment 9 to the Joint Proposal, the Company submitted its Service Quality Assurance Program Report for the year ended December 31, 2007. In accordance with this report, the Residential Transaction Satisfaction Index exceeded the targeted levels set forth in the Joint Proposal.

The Residential Transaction Satisfaction Index is calculated from mail survey results of a sample of residential customer transactions with the Company occurring in each quarter of the year. The index is calculated for each calendar year, using the aggregate of responses received each quarter. The annual index for 2007 was 80.2, 1.8 points below the penalty threshold for 2007. The total penalty for 2007 is \$1,037,500, and in accordance with Section 9.6 of the Joint Proposal, 80% or \$830,000 will be attributed to electric and 20% or \$207,500 will be attributed to gas.

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Thus, the penalty associated with Residential Transaction Satisfaction Index attributed to Gas will be \$207,500. In accordance with Section 1.2.3.7 this amount will be divided by the number of forecasted gas customers for the month of July 2008 and reflected as a credit to the Basic Service Charge. As set forth in the Joint Proposal, each customer's bill showing this credit will be accompanied by a bill insert explaining the reasons therefor. The Company will be filing a separate statement for the credit associated with the electric portion of the Residential Transaction Satisfaction Index.

As previously discussed with the Department of Public Service Staff, the Company proposes that this credit be implemented in the billings for July, as provided in Section 1.2.3.7 of Joint Proposal irrespective of the contrary language shown in Attachment 9 of the Joint Proposal, and the Company proposes to adhere to this interpretation of the Joint Proposal in the future.

The attachment, included with this filing, shows the forecasted number of customers for July 2008 used in the calculation of this credit. Statement of Service Quality Assurance Program Credit No. 1 reflects a Service Quality Assurance Program Credit of \$0.37 to be applied to gas customers' bills in July 2008 only.

If you have any questions regarding this filing, please contact Amy Wisner at 315-428-5880.

Please advise the undersigned of any action taken in regards to this filing. Unless the Company is notified by you or the Commission of any concerns with this filing, the Company will implement this credit, as provided herein.

Sincerely,

Amy S. Wisner  
Senior Rate Analyst  
Gas Pricing

ASW/tlf (S:/tariffs/219tariff/docfile/letters/lett214)  
Attachment

Niagara Mohawk d/b/a National Grid  
Case 01-M-0075  
Service Quality Assurance Program  
Attachment  
June 26, 2008

**Calculation of Service Quality Assurance Program Credit**

	Forecasted <sup>1</sup> July 2008 Customers
1. SC1	438,236
2. SC1MB	84,541
3. SC2	31,096
4. SC2MB	13,371
5. SC3	47
6. SC5	167
7. SC7	639
8. SC8	54
9. SC12	1
10. Total Gas Customers July 2008	568,152
11. Service Quality Penalty <sup>2</sup>	\$207,500
12. Service Quality Assurance Program Credit per Customer <sup>3</sup>	<u>\$0.37</u>

<sup>1</sup>Forecasted number of customers for July 2008

<sup>2</sup>Service Quality Assurance Program Report for the year ended December 31, 2007.

<sup>3</sup>Line 10/Line 11