

Niagara Mohawk

A National Grid Company



September 27, 2005

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

Re: Case 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 – Supplement to Second CTC Reset Filing dated July 29, 2005 – Proposal to Continue and Expand the Low Income Basic Service Discount for Years 5-10 of Merger Rate Plan

Dear Secretary Brilling:

Enclosed for filing with the New York Public Service Commission (“the Commission”) are tariff amendments proposed by Niagara Mohawk Power Corporation, a National Grid Company (“Niagara Mohawk” or “Company”), regarding the continued implementation and expansion of Niagara Mohawk’s low income basic service discount program. This filing supplements Niagara Mohawk’s July 29, 2005, filing in compliance with Commission’s Opinion No. 01-6 issued and effective December 3, 2001, in the above captioned proceeding. Accordingly the tariff amendments submitted herewith modify the tariff amendments filed on July 29. A companion filing is also being proposed to the Public Service Commission supplementing the leaves for PSC No. 207 Electricity.

Identification of Tariff Amendments

Nineteenth Revised Leaf No. 7
Nineteenth Revised Leaf No. 19
Nineteenth Revised Leaf No. 59
Fourteenth Revised Leaf No. 72
Twentieth Revised Leaf No. 82

To PSC No. 214 Electricity

Effective: January 1, 2006

Purpose of the Filing

Under Section 1.2.9 of the Merger Rate Plan, Niagara Mohawk was to convene meetings of interested parties to determine the future of the low income discount program in years five through ten of the Rate Plan. Niagara Mohawk coordinated two collaborative sessions with interested parties on September 7, 2005 and September 21, 2005. Representatives from Department of Public Service Staff, the Public Utilities Law Project and the Company

participated in these sessions.¹ Those sessions produced general agreement among the Company, Staff and PULP as to the form the low income discount program should take for years five through eight of the Rate Plan (calendar years 2006 through 2009), and this filing reflects the Company's understanding of that general agreement. Today's filing describes the Company's proposal to expand participation in the program, and continue the expanded program for years five through eight (calendar years 2006 through 2009) of the Rate Plan. Niagara Mohawk's expanded low income discount program includes the following elements, which are incorporated in today's tariff filing:

1. Expanded Participation in Low Income Discount Program. Niagara Mohawk is proposing to continue to provide a \$5 per month discount to eligible low income customers and expand customer participation in the low income discount program, from the prior participation targets in the Rate Plan, to all electric customers for which the Company received a payment from the Home Energy Assistance Program (HEAP) over the preceding fourteen months. The test for eligibility will be performed on the first business day of each month. Each customer who received a grant under HEAP during the preceding 14 months would be eligible and would be automatically added to the program. Customers who were previously eligible but who, at the time of the monthly qualification, had not received a HEAP payment in the preceding 14 months, would no longer be eligible and would be dropped from the program. Niagara Mohawk also will identify customers who would, absent receipt of a forthcoming HEAP grant, be dropped from the program within the following three months, and notify the customer of steps that may be taken to maintain program eligibility. Such notice will be provided through bill messages to the customer.

2. Rate Recovery for the Expanded Low Income Discount Program. Niagara Mohawk's base delivery rates currently include an allowance of \$2.0 million per year. As shown in Attachment 2, included with the PSC No. 207 companion filing, Niagara Mohawk projects that the expanded availability of the discount will increase customer participation from the current target of 60,000 customers per month on average to an average of 76,000 customers per month. This increased participation level in turn would increase the anticipated number of annual bill credits from 720,000 to 912,000 bill credits per year. Under this estimate, the cost of the discounts will increase to an estimated \$4.4 million annually. Accordingly, Niagara Mohawk's filing includes an increase of \$2.4 million over the allowance in today's base delivery rates. The increase is allocated across all rate classes in accordance with the methodology set forth in Attachment 7, page 4, to the Rate Plan. The proposed allocation of the \$2.4 million increase to the respective service classes is illustrated in Attachment 2, included with the companion PSC No. 207 Electric filing. The new tariff leaves reflecting the increase are included with this filing.

3. Reconciliation to Actual Discounts. The actual participation in HEAP may vary significantly from the estimated participation used to develop the \$4.4 million rate allowance. Niagara Mohawk will reconcile the actual discounts provided during each calendar year of the expanded program to the \$4.4 million allowance in delivery rates. Niagara Mohawk shall include any over or under recoveries in the Deferral Account established under the Rate Plan. In addition, Niagara Mohawk shall include any

¹ The Company also convened conference calls on September 23 and September 26 to discuss the proposed low income discount program. In addition to the Company, Staff and PULP, representatives from the Consumer Protection Board and Multiple Intervenors took part in one or more of these calls.

reconciliation balance accrued during the first four years of the Rate Plan through December 31, 2005 in the Deferral Account under the Rate Plan.

4. Cap on Participation. Participation under the expanded Low Income Discount Program shall be limited to 1.2 million bill credits per calendar year (an average of 100,000 customers per month) without further approval by the Commission.

5. Reopeners, Reports, Performance Review, and Further Collaboration. Niagara Mohawk shall implement the following reopeners and reports, and hold the following further collaborations:

5.1 Reopeners. Niagara Mohawk shall notify the parties and schedule a further collaboration to consider whether changes should be proposed to the low income discount program upon the occurrence of either of the following conditions: (a) the HEAP recipients eligible for participation exceed 100,000 customers in any given month; or (b) the cumulative dollar value in each calendar year of bill credits actually provided to customers in a given month exceeds the number of the month (e.g., January = 1; February = 2, etc.) multiplied by \$440,000.²

5.2 Reports. Niagara Mohawk shall provide quarterly reports to Staff and PULP that provide the information set forth in Attachment 3, included with the companion PSC No. 207 filing.

5.3 Performance Review. During the first six months of 2008, Niagara Mohawk will convene a meeting of interested parties to review the performance of the low income discount program during calendar years 2006 and 2007. Niagara Mohawk will also convene a meeting of interested parties during the first six months of 2009 to discuss and develop recommendations for the continuation, elimination, expansion and/or other modifications for the low income rate for years nine and ten of the Rate Plan.

5.4 Further Collaboration. Niagara Mohawk shall meet with the parties over the next sixty days to: (a) discuss appropriate low income goals to replace the targets set forth in Attachment 8 of the Rate Plan necessary to realize the low income incentives set forth in that Attachment; (b) consider approaches to allow participation of customers who otherwise meet the income requirements for HEAP eligibility during the period prior to HEAP enrollment, but who were not Niagara Mohawk customers of record in the HEAP heating seasons that occurred over the fourteen months preceding the eligibility determination; and (c) identify such further program or customer information available from the Company that may be useful in the analysis or evaluation of the program, and which could be included in the quarterly reports described in paragraph 5.2, above. Any proposed modifications resulting from these collaborations to implement changes in either clause (a) or (b) of this paragraph shall be filed with the Commission before becoming effective.

6.0 Amendments to Rate Plan. Niagara Mohawk shall amend the Rate Plan as specified in Attachment 4, included with the PSC No. 207 companion filing.

² For example, in May of a given year, this reopener threshold would be triggered if cumulative credits paid through May exceeded: $5 \times \$440,000 = \$2,200,000$.

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The following table shows the effect of this supplementary filing compared to the July 29, 2005 filing for the Company's Compliance Proposal for forecasted year 2006 for each of Niagara Mohawk's principal service classifications for the average customer within each service classification in the Company's Central Load Zone.

Determinants			Delivery				Commodity				Total			
kWh Usage	Peak Pct	kW	July 29	Sept 26	Difference	Change	July 29	Sept 26	Difference	Change	July 29	Sept 26	Difference	Change
SC-1														
500			\$43.08	\$43.13	\$0.05	0.12%	\$32.68	\$32.68	\$0.00	0.00%	\$75.76	\$75.81	\$0.05	0.07%
SC-2ND														
1,500			\$145.04	\$145.25	\$0.21	0.14%	\$101.50	\$101.50	\$0.00	0.00%	\$246.54	\$246.75	\$0.21	0.09%
SC-2D														
7,200	25		\$542.80	\$543.38	\$0.58	0.11%	\$485.61	\$485.61	\$0.00	0.00%	\$1,028.41	\$1,028.99	\$0.58	0.06%
SC-3 Secondary														
216,000	500		\$14,297.57	\$14,322.82	\$25.25	0.18%	\$13,905.65	\$13,905.65	\$0.00	0.00%	\$28,203.22	\$28,228.47	\$25.25	0.09%
SC-3A Transmission														
2,304,000	40%	4,000	\$55,678.53	\$55,718.92	\$40.39	0.07%	\$137,407.17	\$137,407.17	\$0.00	0.00%	\$193,085.70	\$193,126.09	\$40.39	0.02%

The following table shows the effect of this supplementary filing compared to the July 29, 2005 filing for the Company's Alternative Proposal for forecasted year 2006 for each of Niagara Mohawk's principal service classifications for the average customer within each service classification in the Company's Central Load Zone.

Determinants			Delivery				Commodity				Total			
kWh Usage	Peak Pct	kW	July 29	Sept 26	Difference	Change	July 29	Sept 26	Difference	Change	July 29	Sept 26	Difference	Change
SC-1														
500			\$39.33	\$39.38	\$0.05	0.13%	\$32.68	\$32.68	\$0.00	0.00%	\$72.01	\$72.06	\$0.05	0.07%
SC-2ND														
1,500			\$129.56	\$129.76	\$0.20	0.15%	\$101.50	\$101.50	\$0.00	0.00%	\$231.06	\$231.26	\$0.20	0.09%
SC-2D														
7,200	25		\$495.69	\$496.35	\$0.66	0.13%	\$485.61	\$485.61	\$0.00	0.00%	\$981.30	\$981.96	\$0.66	0.07%
SC-3 Secondary														
216,000	500		\$12,545.76	\$12,571.00	\$25.24	0.20%	\$13,905.65	\$13,905.65	\$0.00	0.00%	\$26,451.41	\$26,476.65	\$25.24	0.10%
SC-3A Transmission														
2,304,000	40%	4,000	\$51,760.92	\$51,801.31	\$40.39	0.08%	\$137,407.17	\$137,407.17	\$0.00	0.00%	\$189,168.09	\$189,208.48	\$40.39	0.02%

Niagara Mohawk requests the Commission approve the terms of this letter and the revised tariff leaves included for usage on or after January 1, 2006. In addition, Niagara Mohawk asks that the Amendments to the Rate Plan included in Attachment 4 of the PSC No. 207 companion filing and the other commitments in this letter be approved by January 1, 2006.

SAPA Notice

The form required by the State Administrative Procedures Act is enclosed with the PSC No. 207 companion filing.

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Newspaper Publication

Waiver of newspaper publication as required in Public Service Law § 66(12)(b) is requested for this filing since these requirements were fulfilled on August 18, August 25, September 1, and September 8, 2005 with the filing issued on July 29, 2005.

Inquires about this Filing

Anyone who may have questions regarding the administrative aspects of this filing may call or write the undersigned at the phone number and address listed below.

Thank you for your attention to our filing.

Respectfully submitted,

James J. Bonner Jr.
Manager
Electric Pricing Department
Niagara Mohawk Power Corporation
300 Erie Blvd. West
Syracuse NY 13202
(315) 428-5285

JJB

Attachments

cc: All Active Parties in Case 01-M-0075