

Niagara Mohawk

A National Grid Company



July 29, 2005

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 01-M-0075 – Joint Proposal of Niagara Mohawk Holding, Inc. Niagara Mohawk Power Corporation, National Grid plc and National Grid for Approval of Merger and Stock Acquisition (the “Merger Rate Plan”)

Dear Secretary Brillling:

Enclosed for filing with the New York Public Service Commission (“the Commission”) are an original and three (3) copies of Niagara Mohawk Power Corporation’s (“Niagara Mohawk” or “Company”) tariff amendments in compliance with the Commission’s Opinion No. 01-6, Opinion and Order Authorizing Merger and Adopting Rate Plan, issued and effective December 3, 2001.

Identification of Tariff Amendments

Eighteenth Revised Leaf No. 7
Eighteenth Revised Leaf No. 19
Seventeenth Revised Leaf No. 59
Thirteenth Revised Leaf No. 72
Nineteenth Revised Leaf No. 82

To PSC No.214 Electricity

Effective: January 1, 2006

Purpose of the Filing

The purpose of this filing is to comply with Niagara Mohawk’s obligations under the Merger Rate Plan to (i) reset its Competitive Transition Charges (“CTC”) in retail delivery rates to reflect changes in the forecast of commodity prices for the coming two years and (ii) to adjust delivery rates associated with the deferral recoveries because the deferral balance exceeded \$100 million as of June 30, 2005 as further provided in the Merger Rate Plan. The Company has included in this filing the tariff leaves that are proposed to become effective on January 1, 2006, or the first year of the current reset period (“Compliance Tariff Leaves”). These Compliance Tariff Leaves include the appropriate rates for calendar year 2006. The Company is also seeking the Commission’s approval of the Compliance Rates contained in Attachment 2 that would become effective on January 1, 2007, the second year of the CTC Reset period. These proposed Compliance Tariff Leaves reflect the compliance filing being made by Niagara Mohawk under the Merger Rate Plan, and include an adjustment to Niagara Mohawk’s delivery rate to recover

the entire deferral balance accrued through June 30, 2005 and Niagara Mohawk's forecast of the deferral balance through December 31, 2007, the end of the CTC Reset period. These current and forecast deferral balances are documented in Attachments 6 and 7 of the attached filing. If recovered over the CTC Reset period as authorized by Sections 1.2.3.3, 1.2.3.4 and 1.2.4 of the Merger Rate Plan, they would produce a rate increase that would average about eight percent (8%) and become effective on January 1, 2006.

Niagara Mohawk has developed an Alternative Proposal that will limit the Compliance Rate increase by postponing recovery of a portion of the deferral balances included in Attachments 6 and 7 of the filing. Rather than recover the entire deferral balance as authorized under the Rate Plan, Niagara Mohawk would limit the delivery rate adjustments to \$100 million in the first year, producing an increase in Niagara Mohawk's rates of about three percent (3%), and an additional \$100 million delivery rate adjustment in the second year, producing a second three percent (3%) rate increase. This approach will postpone a significant portion of the deferral recovery until after the CTC Reset period. To implement this approach, Niagara Mohawk is requesting a modification of the Memorandum of Agreement, dated March 31, 2003 and approved by the Commission on September 4, 2003 in this case. Specifically, the Company is seeking to change the provision in that Memorandum of Agreement that requires the recoveries of deferral balances be first used to fund pension and OPEB expenses to the extent they are tax deductible. Niagara Mohawk is seeking to return to a requirement for pro rata funding that is consistent with the approach contemplated in the Merger Rate Plan. In addition, Niagara Mohawk is proposing to extend the audit period for the deferral items included in Attachments 6 and 7 to June 30, 2006, and then to apply any audit adjustments first to the projected deferral balance that is projected to be unrecovered at the end of the CTC Reset period and second to the rate adjustment that would otherwise become effective on January 1, 2006 under the Alternative Proposal.

This filing also includes Niagara Mohawk's hedging plans for 2006 and 2007, as required by Section 1.3.4 of the Merger Rate Plan.

Attachments in Support of this Filing

Included with the companion PSC No. 207 Filing are attachments that describe and present the revised commodity forecast and the proposed retail electricity prices for PSC No. 214 Outdoor Lighting effective January 1, 2006.

Newspaper Publication

Newspaper publication will be made on August 18, August 25, September 1, and September 8, 2005 in accordance with the requirements of Public Service Law § 66(12)(b).

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. Requests for information about the proposals presented in this filing should be sent via email to Catherine T. McDonough (catherine.mcdonough@us.ngrid.com) and to Susan E. Pelkey (susan.pelkey@us.ngrid.com). Your information request will be assigned a number for recording purposes, logged into an information request log developed for this specific case, and forwarded

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to the appropriate Company representative who will prepare the response. The requesting party will receive the response via email as well as a hard copy delivered via U.S. Mail.

Technical Conference

All active parties in this Case have been advised that a technical conference to explain the proposals presented in this filing has been scheduled at the Company's offices at 1125 Broadway, Albany, New York, on Friday, August 5, 2005 at 9:30 a.m. in Conference Room Number 308.

Respectfully submitted,

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CTM/PJR
Attachments

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