

Niagara Mohawk

A **National Grid** Company



February 4, 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 94-E-0952 – In the Matter of Competitive Opportunities Regarding Electric Service.
Order Continuing and Expanding the System Benefits Charge for Public Benefits, Issued and
Effective January 26, 2001

Dear Secretary Brillling:

The attached System Benefits Charge (“SBC”) Statement issued by Niagara Mohawk Power Corporation is being transmitted for filing in accordance with the requirements of the Public Service Commission, State of New York:

Statement of System Benefits Charge No. 8

To P.S.C. No. 214 Electricity

Effective: March 1, 2005

This filing is issued in compliance with Ordering Clause No. 4 in the Order mentioned above. The Ordering Clause requires the Company to design its SBC collection rate on an annual basis to correspond to its collection allocation and the yearly projections of the upcoming year’s electric sales with any over or under collections reconciled on an annual basis. Accordingly this filing presents the SBC reconciliation for the calendar year 2004 and the development of a revised SBC collection rate. A companion PSC No. 207 Electricity Filing has also been submitted to the Commission on this date.

The Attachments supporting the derivation of this factor are included with the companion PSC No. 207 filing and presents the development of the revised SBC collection rate. Additionally this filing complies with the Company’s objective, as stated in its 2001 SBC reconciliation compliance filing letter dated February 11, 2002, that it will submit the annual SBC reconciliation filings to the Commission in February with an effective date for the revised SBC collection rate of March 1 for each subsequent year.

In the process of performing the annual reconciliation of the SBC for 2004, it was discovered that the actual collections used for the 2003 SBC reconciliation filing issued to the Commission on February 3, 2004 were overstated by \$574,671 and that the 2002 SBC Reconciliation filing collections were overstated by \$92,908. This brings the total amount of the

overstated collections of the SBC for these two years to \$667,580. The reason for this discrepancy was a change in the billing system for accounts with an Empire Zone Rider ("EZR") beginning in March 2002. This change required the SBC to be calculated in two parts for these Customers with an EZR. One part is calculated based on total load times the applicable standard tariff rate and is what the Customer would have paid for all charges under their standard tariff. The second part is calculated based on the EZR load times the applicable EZR rate. Customers on the EZR do not pay SBC on the EZR portion of their load, therefore, this amount is applied as a credit to the Customer's bill. Prior to the March 2002 change in the billing system, these two parts of the EZR Customer's bill were netted and this netted amount was reflected on the Company's Revenue Reporting System. However, after the modification of the billing system, both parts of the EZR Customer's bill are reported separately on the billing system, requiring both parts to be captured to accurately report the SBC collections on the Revenue Reporting System. This was not done for the 2002 and 2003 SBC Reconciliation and therefore, the collections were inaccurate and only captured the standard tariff charges and did not include the credit for the EZR portion of the Customer's load. Attachment 6 included with this filing displays the monthly SBC collections used for the 2002 and 2003 reconciliation filings and the SBC portion not credited in the reconciliations. The Company has reduced the 2004 collection by the amount of \$667,580 to correct this error.

The Company proposes that the revised SBC collection rate of **\$0.001453/kWh** become effective on March 1, 2005 and remain in effect through February 28, 2006. It is projected the revised collection rate will recover **\$39,033,778** during the period twelve months ending February 28, 2006 which consists of the Company-specific annual collection allocation of **\$39,870,125**, the 2004 reconciliation adjustment of **(\$836,347)**, which includes the adjustment of **(\$667,580)** overstated in the 2002 and 2003 Reconciliation Filings effective March 1, 2003 and March 1, 2004.

Please direct any action regarding this filing to the undersigned.

Sincerely,

Patricia J. Rivers
Senior Rate Analyst
Electric Pricing Department
(315) 428-6833

PJR
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