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nationalgrid

Peter G. Flynn
Deputy General Counsel

January 29, 2010

Honorable Jaclyn A. Brilling, Secretary
State of New York
Public Service Commission
Office of the Secretary, 19th Floor
Three Empire State Plaza
Albany, New York 12223-1350

Dear Secretary Brilling:

Enclosed are the following materials issued and transmitted for filing by Niagara Mohawk Power Corporation d/b/a National Grid ("Niagara Mohawk" or "Company") in accordance with the requirements of the New York State Public Service Commission ("Commission").

1. Revised tariff leaves listed in Attachment 1 for P.S.C. 220 Electric and P.S.C. 214 Outdoor Lighting to become effective March 1, 2010. Although the revised tariff leaves are proposed to become effective March 1, 2010, Niagara Mohawk understands that, after customary suspension periods, they may not ultimately become effective until January 2011.[1]

2. A proposed notice of this filing suitable for use under the State Administrative Procedure Act.

3. Thirty (30) copies of the prepared written testimony and exhibits of the Company's witnesses, as identified in Attachment 2, in support of the proposed rate and tariff changes, which constitute Niagara Mohawk's direct case in support of its rate filing.

The Rate Filing

In this filing, Niagara Mohawk seeks to adjust its base electric delivery rates through the filing of a three-year rate plan, which, if adopted, would establish rates for the three-year period from January 1, 2011 through December 31, 2013. Even though it faces a large revenue deficiency, the Company has designed a balanced proposal that takes account of the significant financial stress that many of its customers face in the current economic conditions. Rather than simply proposing to increase rates to recover the additional revenues needed to recover its costs of providing service, Niagara Mohawk is proposing a three-year rate plan that will both generate the revenue it needs and maintain electric delivery rates, in the aggregate, at their current levels.

[1] The revised tariff sheets are being transmitted electronically to the Commission contemporaneously with this filing in accordance with applicable procedures. Copies are included with this transmittal letter.

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To achieve this result, Niagara Mohawk proposes to extend the amortization schedule for its Competitive Transition Charges ("CTC") to offset the aggregate increase in delivery revenue. Assuming no extension of the amortization schedule, the Company's proposal would equate to an increase in electric revenues by $391 million for 2011 (a 12.15% increase in aggregate revenues), an additional $32 million (total of $423 million) for 2012, with a reduction in revenues of $31 million (total of $392 million) for 2013.

There are a number of factors that create the need for the proposed rate relief at this time. Niagara Mohawk's delivery rates were last updated in 2002, as part of the 10-year Merger Rate Plan in Case 01-M-0075, which reduced the Company's revenues under its electric delivery rates by $151.9 million and permitted limited rate adjustments thereafter to recover stranded and prior period deferred costs. While the Merger Rate Plan's electric delivery rates could potentially remain in place through the end of 2011, the delivery rates established therein no longer provide Niagara Mohawk with the revenue it needs to recover its costs of providing service, including the costs of infrastructure investments required to provide safe, reliable, and efficient service to its approximately 1.6 million customers in Upstate New York and a reasonable return on those investments.

In short, the proposals in this filing will provide the Company with timely recovery of ongoing operating costs and capital investments, and an opportunity to earn a return that provides the right incentive to invest aggressively in New York, all without increasing customers' electric delivery rates in the aggregate.

Newspaper publication will be made on February 5, 12, 19, and 26, 2010, in accordance with the provisions of § 66(12) of the Public Service Law and 16 NYCRR § 720-8.

Pursuant to our discussion, the Company is serving all active parties in Case 01-M-0075 with an electronic copy of this filing on CD.

Acknowledgement of the receipt of this letter is requested, and an extra copy is enclosed for that purpose.

Respectfully submitted,

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