



October 1, 2009

Via Electronic Mail

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

Re: Case 08-G-0609

Dear Secretary Brilling:

The enclosed revised tariff leaves and System Benefits Charge Statement, issued by Niagara Mohawk Power Corporation d/b/a National Grid (hereinafter "the Company"), is transmitted for filing in compliance with the requirements of the Public Service Commission of the State of New York ("Commission").

Fourth Revised Leaf No. 122.1

Third Revised Leaf No. 122.2

System Benefits Charge Statement No. 6

To PSC No. 219 Gas

Effective: November 1, 2009

These revisions to the tariff and System Benefits Charge Statement No. 6 are being filed in compliance with Rule 31 of the Company's tariff and with the Commission's "Order Adopting An Interim Energy Efficiency Program and Modifying the Joint Proposal" in Case 08-G-0609.¹

The purpose of the proposed revisions to the Company's tariff and the System Benefits Charge Statement No. 6 is to reinstate the appropriate level of authorized SBC funding for the interim energy efficiency programs consistent with the September 18 Order. The current tariff

¹ Case 08-G-0609, *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Niagara Mohawk Power Corporation for Gas Service*, "Order Adopting An Interim Energy Efficiency Program and Modifying the Joint Proposal" (September 18, 2008) ("September 18 Order").

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and SBC Statement terminate SBC funding for the interim programs as of September 30, 2009. At the time Leaves 122.1 and 122.2 and the SBC Statement were filed, it was the Company's expectation that the interim programs would have been wholly replaced by non-interim programs (and the associated funding) in advance of September 30, 2009 in the context of Case 07-M-0548, the Energy Efficiency Portfolio Standard ("EEPS") proceeding. However, to date only the interim Residential High-Efficiency Heating and Water Heating and Controls Program has been replaced with the EEPS "fast track" program of the same name. Accordingly, it is necessary to remove the existing tariff provisions that prematurely terminated SBC funding for the interim programs that the Commission authorized in the September 18 Order. The Commission has already authorized the use of SBC funding as long as the interim programs remain in effect. Because the revisions proposed in this filing merely reinstate SBC funding previously authorized by the Commission, the Company files it as a housekeeping change on 30-days notice.

Specifically, System Benefits Charge Statement No. 6 adds funding of \$2.89 million to cover interim program costs for the six-month period October 1, 2009 through March 31, 2010. The \$2.89 million was derived by taking the SBC funding authorized in the September 18 Order and subtracting the costs of the Residential High-Efficiency Heating and Water Heating and Controls Program, which, as noted, has been replaced by the EEPS "fast track" program of the same name that is already funded through the SBC, and prorating it over six months. The Company proposes to collect this incremental SBC funding on a volumetric basis over a 12-month period, from November 1, 2009 through October 31, 2010, which is the same recovery period that was authorized in the September 18 Order. Workpapers supporting the development of the revised SBC rate have been provided to DPS Staff.

In its SBC filing made earlier this week, the Company opted to honor its tariff and zero out the SBC funding for the interim programs, notwithstanding the clear intent of the September 18 Order that the interim programs should be funded by ratepayers for as long as they remain in effect. Expedient implementation of the proposed tariff revisions and SBC Statement No. 6 will help to correct the inequity of having the Company's shareholders subsidize the interim energy efficiency programs that are providing ongoing benefits to customers and that the Commission explicitly found should be funded by customers—not shareholders.

Currently, the Company's shareholders are already bearing a portion of the cost burden that the Commission determined should be borne by customers. Because the SBC funding for the interim programs authorized in the September 18 Order contemplated that non-interim programs and associated funding would have replaced the interim programs within 8 months, the interim SBC funding that ended September 30, 2009 only recovered the cost of the interim programs through May 31, 2009. As the Commission is aware, the interim programs have remained open so that our customers could continue to take advantage of the energy savings opportunities provided by these programs until such time as the Commission approved more permanent programs consistent with the September 18 Order. Accordingly, the proposed reinstatement of the authorized SBC funding to recover program costs from October 1, 2009 through March 31, 2010 would still leave the Company's shareholders bearing the program costs for the gap period of June 1, 2009 through September 30, 2009. The program costs during this gap period, in

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addition to incremental funding authorization to address the unexpectedly high demand for the programs in its service territory, are addressed in the Company's Petition for Approval of Incremental Funding For Interim Gas Energy Efficiency Programs filed June 9, 2009 in this proceeding. As noted in that petition, the authorized SBC costs fall far short of compensating the Company for the costs of operating the interim programs in light of the unprecedented number of customers that have availed themselves of the programs. Therefore, at a minimum, the Commission should authorize the restoration of the authorized SBC funding for the interim programs.

Should you have any questions concerning this filing, please contact me at dawn.herrity@us.ngrid.com. Thank you for your attention to this matter.

Sincerely,

Dawn Herrity
Lead Analyst

/dh
(S:Tariffs/219Tariff/Docfiles/Letters/lett274)

Enclosures
cc: Active Parties List