



Catherine L. Nesser
VP and Deputy General Counsel
New York Regulatory

April 27, 2012

Honorable Jaclyn A. Brillling, 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 Brillling:

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 and 214 Electricity and 219 Gas to become effective June 1, 2012. Although the revised tariff leaves are proposed to be effective June 1, 2012, Niagara Mohawk understands that, after customary suspension periods, they will likely become effective April 1, 2013.¹
2. A proposed notice of this filing suitable for use under the State Administrative Procedure Act.
3. An electronic CD and 15 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 and gas rates, which, if adopted, would be effective from April 1, 2013 through March 31, 2014. The Company is willing to explore a two or three year rate plan settlement and has included two additional years of data to facilitate those discussions.

The Company recognizes the current financial strain on many of our customers and has therefore timed this filing to take advantage of an opportunity to maintain bill stability for its electric customers while providing the Company with revenues sufficient to recover its costs of

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.

providing safe and reliable electric and gas service. Under its proposal, all electric customer classes, except street lighting classes, would experience a delivery rate decrease. The Company seeks to increase electric delivery base revenues by approximately \$130.7 million. Importantly, Niagara Mohawk's proposal is designed to coincide with the expiration of an electric deferral surcharge of approximately \$190 million, which would more than offset the requested increase. Under the Company's proposal, street lighting and gas customers would experience rate increases. The Company seeks to increase gas base revenues approximately \$39.8 million. That increase would be partially offset by the elimination of approximately \$15.3 million of deferral recovery from base rates. To further mitigate rate impacts for our gas customers, the Company proposes to amortize \$14.3 million per year of regulatory liabilities to customers for three years, resulting in a net increase in gas revenues of \$10.4 million.

Niagara Mohawk is experiencing a significant revenue deficiency despite nearly five years of cost reduction efforts across National Grid's US business that have lowered costs for Niagara Mohawk customers by more than \$100 million. Those cost reductions are fully reflected in the Company's proposed revenue requirements.

In advance of this filing, the Company met with numerous customers, state agencies, local governments, school districts and economic and community partners. With the benefit of the knowledge gained from that outreach, Niagara Mohawk has designed this filing to address the priorities shared among the Company, customers and regulators. The filing includes investment plans necessary to maintain safe and reliable electric and gas service, expanded economic development and low income programs to assist our communities and customers most in need, an innovative grant program to spur installation of alternative fuel vehicle charging stations, and a proposal to provide assistance to customers converting from oil to natural gas.

The proposals in this filing are necessary to provide the Company with compensatory rates, the opportunity to earn a reasonable return on equity and continued access to capital on reasonable terms. Such a rate structure will enable the Company to continue to provide safe and reliable electric and gas service and to meet the expectations of its customers.

Newspaper publication will be made in accordance with § 66(12) of the Public Service Law and 16 NYCRR § 720-8.

Respectfully submitted,

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Attachments