



August 30, 2012

Honorable Jaclyn A. Brilling, Secretary  
New York State Public Service Commission  
Three Empire State Plaza  
Albany, NY 12223-1350

Dear Secretary Brilling:

Pursuant to Title 16 of the State of New York Official Compilation of Codes, Rules and Regulations ("16 NYCRR") Section 720, Niagara Mohawk Power Corporation, d/b/a National Grid ("NMPC") hereby files the following statements which will take effect on September 1, 2012:

<u>Statement</u>	<u>Number</u>	<u>Applicable to Service Classes</u>
Monthly Cost of Gas Statement	MCG-112	1, 2, 3, 12 & 13
Interruptible Rate Statement	IRS-112	4
Transportation Rate Statement	TRA-112	1, 2, 5, 6, 7, 8, 9 & 13
NGV Rate Statement	NGV-112	10
Statement of Demand Transfer Recovery Rate	DTR-111	11
Merchant Function Charge Statement	MFC-43	1, 2, 12 & 13
Statement of Late Payment Charge	LPC-40	1, 2 & 3
Refund/Surcharge		

Pursuant to Rule 33.1.4.3 of NMPC's tariff, we have performed an annual reconciliation of the Return Requirement on Gas in Storage for the period June 1, 2011 through May 31, 2012 and have determined that the Company under recovered \$846,621. An annual imbalance surcharge of \$0.00182 per therm, calculated by dividing the under recoveries by forecasted sales for Service Classification Nos. 1, 2, 12 and 13 customers for the period September 1, 2012 through August 31, 2013, will take effect for the 12-month period commencing September 1, 2012. The Company will roll-in this annual imbalance surcharge to the existing Return Requirement on Gas Storage Inventory Rate of \$0.0066 per therm to compute a net rate of \$0.00842 per therm that will take effect September 1, 2012. The backup workpapers are enclosed.

Honorable Jaclyn A. Brillling, Secretary  
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Workpapers detailing our calculations are included in this filing. Questions pertaining to this filing may be directed to Jennifer Tang at (718) 403-2560.

Sincerely,

Melissa R. Nairn  
Manager, NY Gas Pricing

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**Niagara Mohawk Power Corporation d/b/a National Grid**  
**Return Requirement on Gas Storage Inventory Rate - Effective September 1, 2012 to August 31, 2013**

<u>June 1, 2011 - May 31, 2012 Annual Reconciliation</u>	<b>Storage Inventory Balance (DT)</b>	<b>Actual Rate Per Dth for Plan Year (\$/Dt) 07/27/2012 NYMEX</b>	<b>Calculated Inventory Dollars (\$)</b>	
05/16/2011-05/31/2011	4,707,903	\$5.0494	\$11,886,043	for 1/2 of month
06/30/2011	7,630,050	\$5.0525	\$38,550,828	
07/31/2011	10,227,513	\$5.0733	\$51,887,242	
08/31/2011	12,824,977	\$5.0704	\$65,027,763	
09/30/2011	14,610,733	\$5.0134	\$73,249,449	
10/31/2011	15,379,079	\$4.9487	\$76,106,448	
11/30/2011	14,738,284	\$4.9286	\$72,639,107	
12/31/2011	11,213,912	\$4.9236	\$55,212,817	
01/31/2012	7,208,943	\$4.9187	\$35,458,628	
02/29/2012	3,844,770	\$4.9171	\$18,905,119	
03/31/2012	961,192	\$4.7813	\$4,595,747	
04/30/2012	1,948,098	\$4.5957	\$8,952,874	
05/1/2012-05/15/2012	4,707,903	\$4.0167	\$9,455,117	for 1/2 of month
	110,003,357		\$521,927,181	
11 and 2/2 Average			\$43,493,932	
Balance of storage not used by SC 3			99.0828212%	
Avg inventory dollars w/o SC3 (actual)			\$43,095,015	
Pre-Tax Weighted Average Cost of Capital			10.69%	
Rate Year 3 Allowed Carrying Charges			\$4,606,857	
Rate Year 3 Actual Recoveries of Carrying Charges			\$3,760,236	
Rate Year 3 Under / (Over) Recovery - Allowed Charges less Recoveries			\$846,621	
Forecast SC 1, 2, 12 and 13 Sales - TME August 2013			465,373,827	Therms
<b>Annual Imbalance Surcharge (September 1, 2012 - August 31, 2013)</b>			<b>\$0.00182</b>	
<b><u>Year 4 - Forecasted Storage Inventory Commodity Costs: June 1, 2012 to May 31, 2013</u></b>				
Projected Weighted Average Storage Inventory Cost is developed from Dispatch Simulation Model using 5/29/2012 NYMEX				
	<b>Storage Inventory Balance (DT)</b>	<b>Actual Rate Per Dth for Plan Year (\$/Dt)</b>	<b>Calculated Inventory Dollars (\$)</b>	
05/16/2012-05/31/2012	4,707,903	\$4.0113	\$9,442,406	for 1/2 of month
06/30/2012	7,630,050	\$3.7178	\$28,367,000	
07/31/2012	10,227,513	\$3.5589	\$36,398,696	
08/31/2012	12,824,977	\$3.4181	\$43,837,054	
09/30/2012	14,610,733	\$3.3423	\$48,833,453	
10/31/2012	15,379,079	\$3.3092	\$50,892,448	
11/30/2012	14,738,284	\$3.3092	\$48,771,929	
12/31/2012	11,213,912	\$3.3092	\$37,109,078	
01/31/2013	7,208,943	\$3.3092	\$23,855,834	
02/28/2013	3,844,770	\$3.3092	\$12,723,113	
03/31/2013	961,192	\$3.3092	\$3,180,777	
04/30/2013	1,948,098	\$3.3753	\$6,575,415	
05/1/2013-05/15/2013	4,707,903	\$3.4272	\$8,067,463	for 1/2 of month
	110,003,357		\$358,054,665	
Monthly Average Storage Inventory Costs (11 and 2/2 Months)			\$29,837,889	
Balance of storage not used by SC 3			99.0828212%	
Monthly Average Storage Inventory Costs (11 and 2/2 Months) excl SC 3			\$29,564,222	
Pre-Tax Weighted Average Cost of Capital			10.69%	
Return Requirement on Gas Storage Inventory			\$3,160,415	
Forecasted SC 1,2 12 and 13 Sales - TME May 2013			478,844,265	Therms
<b>Return Requirement on Gas Storage Inventory Rate (June 1, 2012 - May 31, 2013)</b>			<b>\$0.00660</b>	<b>\$/Therm</b>
<b>Annual Imbalance Surcharge (September 1, 2012 - August 31, 2013)</b>			<b>\$0.00182</b>	<b>\$/Therm</b>
<b>Total Rate Effective September 1, 2012</b>			<b>\$0.00842</b>	<b>\$/Therm</b>