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September 23, 2011

By Electronic Delivery

Honorable Kimberly D. Bose, Secretary Federal Energy Regulatory Commission 888 First Street, NE Washington, DC 20426

<u>CONTAINS ATTACHMENT WITH CRITICAL ENERGY</u> INFRASTRUCTURE INFORMATION

Re: Filing of an Executed Large Generator Interconnection Agreement Among the New York Independent System Operator, Inc., Niagara Mohawk Power Corporation d/b/a National Grid, New York State Electric & Gas Corporation, and Nine Mile Point Nuclear Station, LLC, and Request for Waiver of 60-Day Notice Period; Docket No. ER11-___-000

Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act,¹ Section 35.12 of the Commission's regulations,² and Section 30.11.3 of the New York Independent System Operator, Inc.'s ("NYISO's") Standard Large Facility Interconnection Procedures,³ the NYISO, Niagara Mohawk Power Corporation d/b/a National Grid ("National Grid"), and New York State Electric & Gas Corporation ("NYSEG") (together, the "Joint Filing Parties") hereby tender for filing an executed Large Generator Interconnection Agreement (the "Nine Mile Agreement").⁴ The Nine Mile Agreement has been entered into by and among the NYISO, National Grid and NYSEG as the Connecting Transmission Owners, and Nine Mile Point Nuclear Station, LLC ("Nine Mile"), as the Developer, to interconnect the uprated, existing Nine Mile Point Unit 2 nuclear generating facility to the New York State Transmission System. The Nine Mile Agreement is labeled as Service Agreement No. 1757 under the NYISO Open Access Transmission Tariff ("OATT"). As described below, the Nine Mile Agreement supersedes an existing interconnection agreement entered into by and among National Grid, NYSEG, and Nine Mile in 2001.

- ² 18 C.F.R. § 35.12 (2009).
- ³ NYISO OATT Attachment X § 30.11.3.

⁴ Capitalized terms not otherwise defined have the meaning ascribed to them in the NYISO OATT and Attachments S and X to the NYISO OATT.

¹ 16 U.S.C. § 824d (2008).

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The Joint Filing Parties respectfully request that the Commission accept the Nine Mile Agreement for filing. With the exceptions described in Part I.B of this letter, the Nine Mile Agreement conforms to the NYISO's pro forma Standard Large Generator Interconnection Agreement that is contained in Attachment X of the NYISO OATT ("Pro Forma LGIA"). Further, as described in Part II of this letter, the Joint Filing Parties respectfully request a waiver of the Commission's prior notice requirements to make the Nine Mile Agreement effective as of September 8, 2011, which is the date of its execution.

I. <u>Discussion</u>

A. Background

Nine Mile operates the existing Nine Mile Point Unit 2 nuclear generating facility located in Oswego, New York ("Existing Nine Mile Facility"), which Nine Mile co-owns with the Long Island Lighting Company d/b/a LIPA. The Existing Nine Mile Facility currently has a capacity of 1212 MW. The Existing Nine Mile Facility interconnects with the New York State Transmission System in the Scriba Substation, which is jointly owned by National Grid and NYSEG. Additional details regarding the Existing Nine Mile Facility can be found in Appendix C of the Nine Mile Agreement.

The rights and obligations associated with interconnecting the Existing Nine Mile Facility to the New York State Transmission System are currently set forth in a three-party interconnection agreement that was entered into by and among National Grid, NYSEG, and Nine Mile ("Existing Interconnection Agreement"). The Existing Interconnection Agreement is designated as Service Agreement No. 309 under the NYISO OATT. An unexecuted version of the Existing Interconnection Agreement was first accepted by the Commission in Docket No. ER01-1986-000 on July 6, 2001.⁵ An updated and signed version of the Existing Interconnection Agreement was accepted by the Commission by a letter order issued in Docket No. ER02-1067 on April 23, 2002. An amendment to the Existing Interconnection Agreement was accepted by the Commission by a letter order issued in Occepted 4, 2002.

Nine Mile is expanding the capacity of the Existing Nine Mile Facility by 168 MW through an uprate project ("Expansion Project"). The combined capacity of the Existing Nine Mile Facility and the Expansion Project (together, the "Large Generating Facility") will total 1380 MW. The Large Generating Facility is expected to operate at 1327 MW beginning in June 2012. After the loading of additional nuclear fuel during a scheduled maintenance outage in 2014, the Large Generating Facility is expected to operate at its total capacity of 1380 MW beginning in June 2014. The Large Generating Facility will continue to interconnect with the New York State Transmission System in the Scriba Substation. Figure A-1 in Appendix A of the Nine Mile Agreement provides a one-line diagram that illustrates the interconnection in the

⁵ Niagara Mohawk Power Corp., et al., 96 FERC ¶ 61,027 (July 6, 2001).

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Scriba Substation. Additional details regarding the Large Generating Facility can be found in Appendix C of the Nine Mile Agreement.

The four-party Nine Mile Agreement submitted here for the Large Generating Facility will supersede the Existing Interconnection Agreement. Concurrent with this filing, National Grid is submitting a filing with the Commission requesting that the Commission cancel the Existing Interconnection Agreement, with such cancellation to be effective on the Commission-accepted effective date of the new four-party Nine Mile Agreement.

B. The Nine Mile Agreement Generally Conforms to the Pro Forma LGIA Contained in Attachment X of the NYISO OATT

The Nine Mile Agreement was executed on September 8, 2011, by the NYISO, National Grid, NYSEG, and Nine Mile (collectively, the "Parties"). The Nine Mile Agreement generally follows the Pro Forma LGIA. However, the Nine Mile Agreement does contain variations from the Pro Forma LGIA as described in Sections I.B.1 through I.B.9 below. These variations are necessary due to the unique circumstances associated with the Nine Mile Agreement, including the conversion of the three-party Pro Forma LGIA into a four-party agreement to accommodate two Connecting Transmission Owners, and the incorporation from the Existing Interconnection Agreement of several provisions specific to this nuclear generating facility. The Joint Filing Parties submit that the changes specified below satisfy the Commission's standard for variations from the Pro Forma LGIA, because unique circumstances exist that require a non-conforming agreement.⁶ Therefore, the Joint Filing Parties respectfully request that the Commission accept the Nine Mile Agreement with these non-conforming changes.

1. Modifications to Reflect Four-Party Agreement

The Pro Forma LGIA is structured as a three-party agreement among the NYISO, the Developer, and the applicable Connecting Transmission Owner. As described above, National Grid and NYSEG jointly own the Scriba Substation and certain additional facilities associated with the Existing Nine Mile Facility. Accordingly, the Parties have agreed to modify the Pro Forma LGIA to make the Nine Mile Agreement a four-party agreement, with both National Grid and NYSEG included as Connecting Transmission Owners. This approach is consistent with the Existing Interconnection Agreement, accepted by the Commission, to which both National Grid and NYSEG are parties.

To create the four-party Nine Mile Agreement, the Parties have agreed to modify the Pro Forma LGIA by allocating between the two Connecting Transmission Owners the rights and obligations normally assigned to one Connecting Transmission Owner. National Grid and NYSEG have previously designated between themselves certain rights and obligations associated with operating and maintaining the Scriba Substation and related facilities by means of a

⁶ See, e.g., PJM Interconnection, LLC, 111 FERC ¶ 61,163 at PP 10-11, reh'g denied, 112 FERC ¶ 61,282 (2005).

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Transmission Owners Agreement entered into by and between National Grid and NYSEG, dated February 21, 2001, and accepted by the Commission as Niagara Mohawk Power Corporation FERC Electric Rate Schedule No. 300 in Docket No. ER01-1986-000. As National Grid is the party actually performing the operation and maintenance requirements under the Transmission Owners Agreement, the Nine Mile Agreement has, for the avoidance of confusion, been modified to replace the term "Connecting Transmission Owner" in many locations with the term "National Grid," which has been defined to mean "National Grid acting on behalf of both National Grid and NYSEG (collectively) pursuant to the Transmission Owners Agreement," except as expressly indicated otherwise in the Nine Mile Agreement. In the remaining locations in the Nine Mile Agreement, the term "Connecting Transmission Owner" is used to signify either National Grid or NYSEG, and the term "Connecting Transmission Owner" is used to signify used to signify collectively both National Grid and NYSEG.

In addition to the changes to the term Connecting Transmission Owner as used in the Pro Forma LGIA, the Parties have agreed to amend certain provisions in the Pro Forma LGIA that do not function properly as part of a four-party agreement:

- Sections 17.1.1 and 17.1.2 of the Pro Forma LGIA establish that upon a breach of the agreement, the non-breaching parties shall take action to provide written notice of the breach, and shall act together to declare a default and terminate the agreement. The Parties have agreed that in the event of a breach by one of the Connecting Transmission Owners, only the NYISO and Developer are required to act together to take the actions assigned to the non-breaching parties.
- Sections 27.2 and 27.4 of the Pro Forma LGIA establish the method for selecting and paying arbitrators to resolve disputes. Pursuant to Section 27.2, each Party is responsible for selecting an arbitrator for a three-member panel if the Parties cannot agree on a single arbitrator. Pursuant to Section 27.4, each Party is responsible for either one-third of the costs of a single arbitrator, or the full costs of an arbitrator selected for a three-member panel. The Parties have agreed to modify these provisions to provide in the Nine Mile Agreement that the Connecting Transmission Owners (i) will mutually select an arbitrator, and (ii) will both be responsible for the one-third share of the cost of that arbitrator. This cost will be allocated between the Connecting Transmission Owners based on each Connecting Transmission Owner's percentage ownership of the Scriba Substation and related facilities.
- The Parties have agreed in the Nine Mile Agreement to revise all of those provisions in the Pro Forma LGIA that refer to the number of parties, so that these provisions function within a four-party agreement. For example, Section 29.11 has been modified to require that the four, rather than three, Parties to the agreement must execute a written instrument to amend the agreement.
- The Parties have agreed to make additional conforming changes throughout the Nine Mile Agreement to ensure that it functions as a four-party agreement, including: (i) changing certain terms from singular to plural (*e.g.*, "its" to "theirs") and related grammatical changes, (ii) including terms such as "each," "either," "respective," "affected," or similar when the term Connecting Transmission Owner or Party could refer

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to either one of or both National Grid or NYSEG, and (iii) other related conforming changes to specify the appropriate Parties.

2. Modifications to Address Requirements for Nuclear Facility

The Large Generating Facility is a nuclear generating facility that is subject to certain nuclear-specific requirements that are not addressed in the Pro Forma LGIA. The Parties have agreed to several modifications to the Pro Forma LGIA to insert provisions that are specific to and necessary for the Large Generating Facility's operation as a nuclear generating facility in accordance with applicable regulatory requirements. These insertions are consistent with the nuclear-specific provisions included in the Existing Interconnection Agreement previously accepted by the Commission.

The Nine Mile Agreement includes the following additional provisions and revisions to address the requirements for a nuclear facility:

- Section 9.10 ("NRC Requirements and Commitments for Voltage Limits") establishes notification requirements concerning the required voltage limits for the off-site power supply for the Large Generating Facility.
- Section 9.11 ("Energy Management System Voltage Monitoring") sets forth rights and obligations related to an energy management system contingency alarm, including related requirements regarding the cost and maintenance of the energy management system.
- Section 9.12 ("Operating Committee") sets forth the requirements for the establishment of an Operating Committee, the appointment of representatives to the Operating Committee from Nine Mile, National Grid, and NYSEG, and the duties of the representatives. In addition, Section 5.19.1 has been revised to require that Connecting Transmission Owners and the Developer shall mutually agree through the Operating Committee on scheduling any modification to their respective facilities covered by the Nine Mile Agreement.
- Section 10.6 ("NRC Maintenance Rule") sets forth Developer's and Connecting Transmission Owners' responsibilities for complying with the Nuclear Regulatory Commission ("NRC") Maintenance Rule.
- Section 10.5 ("Operating and Maintenance Expenses") has been revised to provide that the Developer will also be responsible for incremental costs incurred by the Connecting Transmission Owners to assure compliance with the NRC Maintenance Rule.
- Section 18.3 ("Insurance and Indemnification for Nuclear Generating Unit") sets forth insurance and indemnification requirements specific to Developer's nuclear facility. The existing insurance requirements in Section 18.3 have been relabeled "General Insurance" and are now located in Section 18.4.
- Section 5 of Appendix C lists those Scriba Substation components subject to the NRC Maintenance Rule.
- The Parties have clarified throughout the Nine Mile Agreement that actions performed under the agreement must be performed in accordance with NRC Requirements and Commitments.

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> • The following defined terms were included to address nuclear facility specific issues: "NRC," "NRC Maintenance Rule," "NRC Requirements and Commitments," "Nuclear Incident," "Off-site Power Supply Points," "Operating Committee," and "Operating Committee Member."

3. Insertion of Description of Joint-Use Facilities

Nine Mile and National Grid jointly operate certain generator and switchyard facilities that are owned by Nine Mile or National Grid. The Parties have agreed to insert a new Section 9.13 ("Operation of Joint Use Facilities") and defined term ("Joint Use Facilities") that state that Nine Mile and National Grid will jointly operate the Joint Use Facilities in a safe and reliable manner in accordance with the Nine Mile Agreement, the NYISO's tariffs and procedures, and National Grid's requirements as described in Section 3 of Appendix C of the Nine Mile Agreement. The Parties have listed the Joint Use Facilities in Section 4 of Appendix C of the Nine Mile Agreement. This approach is consistent with the Existing Interconnection Agreement, accepted by the Commission, to which both Nine Mile and National Grid are parties.

4. Modifications to Reflect Nine Mile's Acquisition of Installed Capacity Deliverability Rights

The NYISO will provide Nine Mile with both Energy Resource Interconnection Service ("ERIS") and Capacity Resource Interconnection Service ("CRIS") as provided for in Section 4.1.1 of the Pro Forma LGIA. As described in Section 4 of Appendix A of the Nine Mile Agreement, the Existing Nine Mile Facility currently has 1148.3 MW of grandfathered Installed Capacity deliverability rights. The Expansion Project was included in Class Year 2008 for purposes of ERIS cost allocation and CRIS cost allocation pursuant to Attachment S of the NYISO OATT. Nine Mile accepted its cost allocation for ERIS, but declined to accept its cost allocation for CRIS. However, in accordance with Section 25.9.5 of Attachment S of the NYISO OATT, Nine Mile has contracted with two existing facilities for them to transfer to Nine Mile an additional 96.3 MW of Installed Capacity deliverability rights. Accordingly, the Parties have agreed to modify Section 4.1.1 of the Nine Mile Agreement, which indicates that Nine Mile has elected for the NYISO to provide it with CRIS, subject to Section 4 of Appendix A of the Nine Mile Agreement. Section 4 of Appendix A establishes that, pursuant to Section 25.9.5 of Attachment S of the NYISO OATT, the Large Generating Facility will acquire 96.3 MW of transferred Installed Capacity deliverability rights from the two existing facilities when the Large Generating Facility becomes operational at the level necessary to utilize the transferred rights. At that point, the NYISO will provide the Large Generating Facility with a total of 1244.6 MW of CRIS.

5. Modifications to Reflect Work by National Grid on Developer's Attachment Facilities

Nine Mile and National Grid have agreed that National Grid will perform certain work on the Developer's Attachment Facilities for the Large Generating Facility as set forth in Sections Honorable Kimberly D. Bose September 23, 2011 Page 7 of 11

1(a)(ii) and 1(a)(iii) of Appendix A of the Nine Mile Agreement. The Parties have agreed to modifications to Sections 5.5 ("Equipment Procurement"), 5.6 ("Construction Commencement"), 5.11 ("Connecting Transmission Owner's Attachment Facilities Construction"), 11.5 ("Provision of Security"), and 12.2 ("Final Invoice") of the Pro Forma LGIA to make clear that National Grid is responsible for this work on the Developer's Attachment Facilities and that Nine Mile is responsible for providing security for and making payments in connection with this work.

6. Modification to Reflect Engineering, Procurement & Construction Services Agreement

National Grid has already begun engineering and procurement work in connection with the new Attachment Facilities for the Expansion Project by means of an Engineering, Procurement & Construction Services Agreement ("EPC Agreement") entered into by and between National Grid and Nine Mile, dated March 11, 2011, and filed with the Commission as Service Agreement No. 1711 under the NYISO OATT in Docket No. ER11-3058-000. The Commission accepted the EPC Agreement by letter order issued on April 29, 2011. National Grid and Nine Mile entered into the EPC Agreement in accordance with Section 30.9 of the Standard Large Facility Interconnection Procedures in Attachment X of the NYISO OATT, which provides that prior to the execution of an interconnection agreement, the Developer and Connecting Transmission Owner may enter into an engineering and procurement agreement for the Connecting Transmission Owner to begin the engineering and procurement of long-lead time items necessary for the establishment of the interconnection. The EPC Agreement will terminate on the Commission-accepted effective date of the Nine Mile Agreement. The Parties have set forth in Appendix C of the Nine Mile Agreement that any payments made by Nine Mile to National Grid under the EPC Agreement shall reduce, on a dollar for dollar basis, Nine Mile's security posting and payment obligations under the Nine Mile Agreement for the new Attachment Facilities for the Expansion Project.

7. Modifications to Reflect Existing Nine Mile Facility

As explained above in Section I.A of this filing letter, the Nine Mile Agreement will supersede the Existing Interconnection Agreement for the interconnection of the Existing Nine Mile Facility. The Parties have agreed to the following modifications to the Pro Forma LGIA to describe existing facilities associated with the Existing Nine Mile Facility that are already in place:

- Appendix A of the Pro Forma LGIA provides for a description of the new Attachment Facilities needed as a result of the Interconnection Request. The Parties have revised Appendix A to also include a description of facilities that were previously constructed under the Existing Interconnection Agreement and are already in place.
- The Parties have also agreed to list, in Section 6 of Appendix C of the Nine Mile Agreement, the existing transmission facilities in the Scriba Substation that are jointly owned by National Grid and NYSEG.

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• Section 5.16 of the Pro Forma LGIA establishes that if the Developer suspends construction work by the Connecting Transmission Owner and does not request that the Connecting Transmission Owner recommence that work within three years, the agreement will be terminated. The Parties have revised Section 5.16 to clarify that if the Expansion Project is suspended and not recommenced within three years, only the Expansion Project will be terminated, and not the Nine Mile Agreement. The Nine Mile Agreement will continue on and will be amended to reflect the termination of the Expansion Project.

8. Modifications to Address New Attachment Facilities Not Part of the Expansion Project

National Grid and Nine Mile have identified and agreed to certain additional upgrades to metering equipment that are not required to interconnect the Expansion Project, but that will allow for the updating of certain metering equipment. The metering equipment Attachment Facilities are listed in Sections 1(a)(iii) and 1(b)(iii) of Appendix A to the Nine Mile Agreement. National Grid and Nine Mile have agreed that National Grid will engineer, procure, construct, install, test, and commission this new metering equipment on the milestone schedule set forth in Appendix B to the Nine Mile Agreement and that Developer will be responsible for the costs of these upgrades, which cost is estimated in Appendix A.1(c) of the Nine Mile Agreement. Developer will pay operating and maintenance costs on such metering equipment in accordance with Section 10.5 of the Nine Mile Agreement.

9. Other Modifications

The Nine Mile Agreement also includes a small number of modifications to correct the following typographical errors in the Pro Forma LGIA:

- In the table of contents, the term "Interconnection" has been capitalized to make it consistent with the other headings.
- In the preamble to Article 1, the reference to Section 30.1.0 has been modified to clarify that the reference is to Section 30.1 of Attachment X of the NYISO OATT.
- In the final sentence of Section 9.6.3, the reference to "NPCC criteria A-3" has been updated to "NPCC Directory #12."

II. <u>Proposed Effective Date and Request for Waiver of Notice Requirement</u>

The Joint Filing Parties request September 8, 2011, as the effective date for the Nine Mile Agreement, which is the date of execution. The Joint Filing Parties respectfully request that the Commission waive the prior notice requirement in order to permit the requested effective date.

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The Commission has previously permitted interconnection agreements to become effective upon the date of execution.⁷

III. <u>Request for CEII Treatment</u>

Pursuant to the Commission's regulations at 18 C.F.R. §388.112 and 18 C.F.R. § 388.113, National Grid, with the concurrence of the other Parties, requests that the one-line diagram designated as Figure A-1 in Appendix A of the Nine Mile Agreement be protected from disclosure as Critical Energy Infrastructure Information ("CEII"). This one-line diagram contains detailed, one-line schematics of transmission lines, the Scriba Substation, and the Large Generating Facility that, if disclosed, could pose a threat to the reliability of the New York State bulk power system and to the health and safety of New York residents. National Grid has explained that the one-line diagram meets the definition of CEII set forth in 18 C.F.R. § 388.113(c) because (i) it includes detailed information regarding the physical attributes of the bulk power system; (ii) it contains data that, if disclosed, could pose a threat to the security and the reliability of the New York State bulk power system; (iii) it contains information exempt from mandatory public disclosure under 5 U.S.C. § 552(b)(7)(F) because its disclosure could endanger the life or physical safety of New York residents;⁸ and (iv) it provides more than simply the general location of critical infrastructure. Moreover, the Commission has determined that CEII is exempt from the mandatory public disclosure requirements of the Freedom of Information Act ("FOIA") under the exemption 5 U.S.C. 552(b)(7)(F).⁹ This material has been omitted from the Public version of the Nine Mile Agreement included in this filing. The material is included only in the CEII version of the Nine Mile Agreement in the filing.

All communications related to this request for CEII treatment should be addressed to the following:

William Malee Director, Transmission Commercial Services National Grid 40 Sylvan Road Waltham, MA 02451 Tel: 781-907-2422 Fax: 781-907-5707 Bill.Malee@us.ngrid.com

⁷ See, e.g., New York Independent System Operator, Inc. and New York State Electric & Gas Corporation, Docket No. ER11-2953-000 (April 7, 2011) (accepting interconnection agreement effective as of date of execution); see also New York Independent System Operator, Inc. and Niagara Mohawk Power Corp., Letter Order, Docket No. ER08-985-000 (June 26, 2008) (same); New York Independent System Operator, Inc. and New York Power Authority, Letter Order, Docket No. ER08-861-000 (May 27, 2008) (same); New York Independent System Operator, Inc. and New York Power Authority, Letter Order, Docket No. ER08-699-000 (May 16, 2008) (same).

⁸ FERC has indicated that CEII is exempt from mandatory disclosure under exemption 7(F) of FOIA. 5 U.S.C. § 552(b)(7)(F). *See, e.g, In re Baumgardner,* 122 FERC ¶ 62,068 (Jan. 25, 2008); *In re Kritikson,* 122 FERC ¶ 62,020 (Jan. 11, 2008); *In re Hala Ballouz,* 119 FERC ¶ 62,204 (June 8, 2007).

⁹ See id.

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IV. Communications and Correspondence

The following persons should be included in the official service list in this proceeding and all communications concerning this filing should be addressed to them:

For the NYISO

Robert E. Fernandez, General Counsel * Karen Georgenson Gach, Deputy General Counsel New York Independent System Operator, Inc. 10 Krey Boulevard Rensselaer, NY 12144 Tel: (518) 356-6000 Fax: (518) 356-4702 rfernandez@nyiso.com kgach@nyiso.com * - Designated to receive service. * J. Kennerly Davis Michael J. Messonnier Jr. Hunton & Williams LLP 951 East Byrd Street Richmond, VA 23219 Tel: (804) 788-8559 Fax: (804) 788-8218 kdavis@hunton.com mmessonnier@hunton.com

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For NYSEG

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V. <u>Documents Submitted</u>

The Joint Filing Parties submit the following documents:

- 1. This filing letter;
- 2. A clean Public version of the Nine Mile Agreement ("Attachment I");
- 3. A blacklined Public version of the Nine Mile Agreement showing the changes from the body of the Pro Forma LGIA ("Attachment II"); and
- 4. a clean CEII version of the Nine Mile Agreement ("Attachment III").

VI. <u>Service</u>

The NYISO will send an electronic link to this filing to the official representative of each of its customers, to each participant on its stakeholder committees, to the New York Public Service Commission, and to the electric utility regulatory agency of New Jersey. In addition, the complete public version of this filing will be posted on the NYISO's website at www.nyiso.com.

VII. Conclusion

For the foregoing reasons, the Joint Filing Parties respectfully request that the Commission accept this Nine Mile Agreement for filing with an effective date of September 8, 2011.

Respectfully submitted,

/s/ J. Kennerly Davis_

J. Kennerly Davis Counsel for the New York Independent System Operator, Inc.

/s/ Daniel Galaburda____

Daniel Galaburda Counsel for Niagara Mohawk Power Corporation d/b/a National Grid

/s/ Jeffrey R. Clark_____

Jeffrey R. Clark Counsel for New York State Electric & Gas Corporation

Enclosures