

October 31, 2011

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

**Re: Niagara Mohawk Power Corporation
Docket No. ER12-_____
Second Revised Service Agreement No. 340
Under New York Independent System Operator, Inc.,
FERC Electric Tariff, Original Volume No. 1**

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act (“FPA”)¹ and Section 35.13 of the regulations of the Federal Energy Regulatory Commission (“Commission”),² Niagara Mohawk Power Corporation, d/b/a National Grid, (“Niagara Mohawk”) submits for filing a Second Revised Service Agreement No. 340 under the New York Independent System Operator, Inc.’s (“NYISO”) Open Access Transmission Tariff (“OATT”).³ Service Agreement No. 340 is referred to herein as the “Tri-Lakes Agreement.”

The Tri-Lakes Agreement is an agreement between Niagara Mohawk, the Power Authority of the State of New York (“Power Authority”), the Village of Lake Placid, New York (“Lake Placid”) and the Village of Tupper Lake, New York (“Tupper Lake”). It provides for the construction of certain upgrades to Niagara Mohawk’s transmission system in the Tri-Lakes region of Upstate New York and for the recovery of a portion of the costs of such upgrades from the parties. These upgrades are critical to preserving the reliability of the transmission system in the Tri-Lakes region.

I. BACKGROUND

Over the past number of years, Niagara Mohawk has constructed certain upgrades to portions of its transmission system located in the Tri-Lakes region of upstate New York. Niagara Mohawk uses this part of its transmission system to deliver power to Lake

¹ 16 U.S.C. § 824d (2006).

² 18 C.F.R. § 35.13 (2011).

³ *New York Independent System Operator, Inc.*, FERC Electric Tariff, Original Volume No. 1.

Placid and Tupper Lake (collectively, the “Villages”), both of which purchase their wholesale requirements from the Power Authority, as well as to Niagara Mohawk’s own retail customers in the area. Load growth in the Tri-Lakes region has made transmission system reinforcement necessary even as the location of much of that region within New York’s Adirondack Park has made planning and construction a challenge.

By order dated April 15, 2005 in Docket Nos. ER05-572 and EL05-84 (the “April 2005 Order”),⁴ the Commission first accepted the Tri-Lakes Agreement for filing. It provided for the construction of certain upgrades to Niagara Mohawk’s transmission system in the Tri-Lakes region and for the recovery of the costs of such upgrades from the parties.⁵ On June 15, 2005, Niagara Mohawk, in accordance with the April 2005 Order and the instructions provided by the NYISO, re-filed the Tri-Lakes Agreement as Service Agreement No. 340 under the NYISO OATT. Niagara Mohawk’s June 15, 2005 compliance filing was accepted by the Commission in a letter order issued July 15, 2005. Under the terms of the original Tri-Lakes Agreement, the agreed-upon upgrades were to be built and operated by Niagara Mohawk but owned by the Power Authority until 2012, when Niagara Mohawk was to assume ownership.

Subsequent to the filing of the Tri-Lakes Agreement and the Commission’s final acceptance of it, Niagara Mohawk and the Power Authority came to recognize that the ownership structure reflected in the Agreement could prove problematic in light of restrictions imposed on land transferability within the Adirondack Park. It also became apparent that modest route changes in the line portion of the upgrades might be required. At the same time, Niagara Mohawk and the Power Authority realized that the Tri-Lakes Agreement did not fully resolve a number of issues, such as risk of loss and construction oversight, that affect their mutual rights and obligations.

As a result, on December 27, 2006 in Docket No. ER07-375, the parties filed certain amendments to the Tri-Lakes Agreement. The amendments fell into three categories: (1) amendments to reflect a revised ownership structure; (2) amendments to account for route changes; and (3) amendments to address issues not fully addressed in the original Tri-Lakes Agreement. In addition, the amendments include non-substantive editorial revisions such as the implementation of uniform acronyms and the elimination of now-moot references to regulation by the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935, which was repealed in 2005. By letter order dated January 25, 2007, the Commission accepted the 2006 amendments to the Tri-Lakes Agreement.

⁴ *Niagara Mohawk Power Corp.*, 111 FERC ¶ 61,048 (2005).

⁵ In the April 2005 Order, the Commission preliminarily determined, among other matters, that the Tri-Lakes Agreement should be designated under the NYISO OATT. The NYISO subsequently made a filing with the Commission stating its concurrence with the Commission’s preliminary determination and specifying how the Tri-Lakes Agreement should be designated.

II. PROPOSED CHANGES

As noted above, under the terms of the original Tri-Lakes Agreement, the agreed upon upgrades were to be built and operated by Niagara Mohawk but owned by the Power Authority until January 1, 2012, when Niagara Mohawk was to assume ownership. Construction of these upgrades was completed in 2010.

The parties recently have agreed that it is in their mutual interest for Niagara Mohawk to assume ownership of the upgrades prior to January 1, 2012. The earlier transfer will result in a reduction in certain carrying costs allocated to Niagara Mohawk's customers. The earlier transfer is supported by the New York Public Service Commission.⁶ As a result, the parties have amended the Tri-Lakes Agreement to provide for a transfer date prior to January 1, 2012. Specifically, Section B.2.a and Section B.7 have been revised to provide that the transfer may take place prior to January 1, 2012. These revisions are very minor modifications, simply designed to give Niagara Mohawk and the Power Authority the flexibility to complete the transfer of the upgrades prior to January 1, 2012.⁷

All other provisions of the Tri-Lakes Agreement, including the scale and type of facilities to be constructed and allocation of cost responsibility, remain unchanged. Finally, it is worth noting that the revisions affect only the mutual rights and responsibilities of Niagara Mohawk and the Power Authority, and do not affect those of the Villages.

III. EFFECTIVE DATE

Niagara Mohawk respectfully requests waiver of the Commission's 60-day prior notice requirement to permit the revised Tri-Lakes Agreement to become effective as of October 17, 2011. Waiver is appropriate because the document is a service agreement under the NYISO OATT and is being filed within thirty (30) days of its requested effective date. Under its order in *Prior Notice and Filing Requirements Under Part II of the Federal Power Act*, 64 FERC ¶ 61,139 at 61,983-84 (1993), the Commission automatically grants waiver of the 60-day notice requirement for the filing of service agreements under tariffs.

⁶ See Case 10-E-0050, Stipulation and Agreement of Certain Matters Relating to Capital Investment and Operating & Maintenance Spending, dated September 15, 2010.

⁷ Coincident with this filing, Niagara Mohawk has submitted an application under Section 203 seeking Commission authorization for its acquisition of the upgrades.

IV. SERVICE

Copies of this filing have been served upon the New York Public Service Commission, the Power Authority, Lake Placid, Tupper Lake and all entities on the service lists for Docket Nos. ER05-572, EL05-84 and ER07-375.

V. COMMUNICATIONS

Please place the names of the following persons on the official service list established by the Secretary in this proceeding:⁸

For Niagara Mohawk

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VI. DOCUMENTS SUBMITTED

In addition to this transmittal letter, the following documents are submitted with this filing:

Attachment A	The revised Tri-Lakes Agreement - Second Revised Service Agreement No. 340.
Attachment B	The revised Tri-Lakes Agreement in redline showing changes.

⁸ Niagara Mohawk requests waiver of 18 C.F.R. § 385.2010(i) to the extent necessary to include more than two names on the official service list.

VII. REQUEST FOR WAIVER

The information submitted with this filing substantially complies with the requirements of Part 35 of the Commission's rules and regulations applicable to filings of this type. Niagara Mohawk requests a waiver of any applicable requirement of Part 35 for which a waiver is not specifically requested, if necessary, in order to permit this filing to become effective as proposed. Good cause exists for waiver because this filing will assist in expediting the completion of transmission upgrades that are critical to preserving the reliability of the transmission system in the Tri-Lakes region.

VIII. CONCLUSION

For the foregoing reasons, Niagara Mohawk respectfully requests that the Commission accept for filing the attached revised Tri-Lakes Agreement - Second Revised Service Agreement No. 340 - without hearing, modification, condition or suspension.

Please contact the undersigned if you have any questions.

Respectfully submitted,

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