

July 25, 2014

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

**Re: Niagara Mohawk Power Corporation d/b/a National Grid
Docket No. ER14-____-000
Filing of Cost Reimbursement Agreement with
Rochester Gas and Electric Corporation**

Dear Secretary Bose:

Pursuant to section 205 of the Federal Power Act (“FPA”),¹ and Part 35 of the Federal Energy Regulatory Commission’s (“Commission”) regulations,² Niagara Mohawk Power Corporation d/b/a/ National Grid (“National Grid”) submits a Cost Reimbursement Agreement (“Reimbursement Agreement”) between National Grid and Rochester Gas and Electric Corporation (“RG&E”). The Reimbursement Agreement is designated as National Grid Service Agreement No. 2135 under the New York Independent System Operator, Inc.’s (“NYISO”) Open Access Transmission Tariff (“OATT”), FERC Electric Tariff, Original Volume No. 1.

The Reimbursement Agreement is an undisputed agreement to facilitate the performance of certain work that RG&E has requested National Grid to perform with respect to specified stations and related portions of transmission lines/circuits and equipment as described in the Reimbursement Agreement. National Grid respectfully requests that the Commission permit the Reimbursement Agreement to go into effect as of March 31, 2014, the effective date set forth in the Reimbursement Agreement.

I. Background

National Grid and RG&E are both public utilities subject to the Commission’s jurisdiction that own transmission facilities located in New York and that have placed their facilities under the operational control of the NYISO.

In connection with a project to build a new substation to supply the University of Rochester, RG&E has requested that National Grid perform certain work with respect to National Grid’s Mortimer Station, Station 251, and related portions of transmission

¹ 16 U.S.C. § 824d.

² 18 C.F.R. Part 35.

lines/circuits and equipment located inside the property line of the impacted National Grid stations as described in the Reimbursement Agreement. National Grid is willing to perform the work subject to reimbursement by RG&E of all actual costs and expenses incurred by National Grid in connection with the work.³

II. Description of the Reimbursement Agreement and Filing Requirements

Pursuant to the Reimbursement Agreement, RG&E will pay for or reimburse National Grid for the actual costs and expenses incurred in connection with the work described above. The Reimbursement Agreement sets forth the terms and conditions of this work and certain related commitments by RG&E. The Reimbursement Agreement includes provisions addressing the performance and schedule of the work, liability and indemnification, insurance, regulatory and governmental approvals, and various other standard provisions for comparable utility cost reimbursement agreements.

Section 205 of the FPA authorizes the Commission to require public utilities to file all rates and charges that are “for or in connection with,” and all agreements that “affect or relate to,” jurisdictional transmission service or sales of electric energy.⁴ In the Prior Notice Order, the Commission stated that the types of agreements that a public utility must file include “a jurisdictional CIAC agreement,” which is defined as an “agreement providing for the customer payment of contributions-in-aid-of-construction” of facilities used to provide jurisdictional service, either in a single lump sum or over a period of time.⁵ Commission precedent also indicates that engineering and pre-construction agreements related to jurisdictional facilities can be construed as CIAC agreements.⁶

The Reimbursement Agreement relates to the recovery of costs for jurisdictional facilities and engineering, procurement, and construction services necessary to facilitate the performance of work with respect to National Grid stations and related portions of transmission lines/circuits and equipment as described in the Reimbursement Agreement. Therefore, the Commission will likely find it to be a CIAC agreement that must be filed.

³ Reimbursement Agreement, Recitals, Article 3.0, and Exhibit A.

⁴ 16 U.S.C. §§ 824d(a)-(c).

⁵ *Prior Notice and Filing Requirements Under Part II of the Federal Power Act*, 64 FERC ¶ 61,139 (1993) (“Prior Notice Order”).

⁶ For example, in *Southern California Edison Company*, 98 FERC ¶ 61,304, at 62,300-01 (2002), the Commission required the filing of seven letter agreements related to pre-interconnection activities in anticipation of certain generator interconnections, “including procurement, engineering, and limited construction.” See also *GenPower Anderson, LLC v. Duke Energy Corp. and Duke Electric Transmission*, 101 FERC ¶ 61,038 (2002) (requiring Duke Energy to file an engineering and design letter agreement that was entered into pending execution of an interconnection and operating agreement).

National Grid is performing these services at actual cost as set forth in Articles 1.0 and 7.0 to the Reimbursement Agreement.⁷ The Commission should find the price of the services to be performed pursuant to the Reimbursement Agreement to be just and reasonable because National Grid will perform these services at actual cost.

III. Effective Date and Request for Waiver

Pursuant to section 35.11 of the Commission's regulations,⁸ National Grid respectfully requests waiver of the notice requirement contained in section 35.3 of the Commission's regulations⁹ to allow the Reimbursement Agreement to become effective upon the effective date set forth in the agreement, *i.e.*, March 31, 2014.

Good cause exists for the Commission to grant this waiver. Granting the waiver will accord with the intent of National Grid and RG&E to make the Reimbursement Agreement effective as of March 31, 2014, as stated in the preamble to the agreement. Therefore, no prejudice will result to any party from granting the waiver. Further, National Grid and RG&E have agreed to preliminary projected milestones that anticipate completion of the work pursuant to the Reimbursement Agreement in 2015.¹⁰ For these reasons, the Commission should find that good cause exists to grant an effective date of March 31, 2014.

IV. Attachments

In addition to this transmittal letter, this filing includes the Reimbursement Agreement which is provided in Attachment A hereto.

⁷ Pursuant to Article 7.0 of the Reimbursement Agreement, National Grid has invoiced RG&E for and has received payment of the \$150,000 prepayment, of which \$5,000 has been applied to the charges. National Grid recognizes that, as a remedy for failure of a utility to file with the Commission on a timely basis an agreement containing jurisdictional rates and charges, the Prior Notice Order normally requires the utility to refund to its customer the time value of the revenues collected under such agreement, calculated pursuant to section 35.19a of the Commission's regulations (18 C.F.R. § 35.19a), for the period that a jurisdictional rate was collected without Commission authorization. Prior Notice Order at 61,979. In the instant case, however, the costs under the Reimbursement Agreement are trued up so that RG&E pays no more than National Grid's actual costs. Therefore, National Grid respectfully submits that no refunds are due. *See, e.g.*, transmittal letter for National Grid filing of service agreement in Docket No. ER13-1618-000, at 7-8 (May 31, 2013) (citing Commission precedent).

⁸ 18 C.F.R. § 35.11.

⁹ 18 C.F.R. § 35.3.

¹⁰ Pursuant to the projected milestone schedule listed in Exhibit B to the Reimbursement Agreement, the work is expected to require a total of about 12 months from the effective date of the Reimbursement Agreement to complete.

V. Communications and Service

Communications regarding this filing should be addressed to the following individuals, whose names should be entered on the official service list maintained by the Secretary for this proceeding:

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Copies of this filing have been served on RG&E, the NYISO, and the New York State Public Service Commission.

VI. Conclusion

For the reasons stated herein, National Grid respectfully requests that the Commission accept the Reimbursement Agreement effective as of March 31, 2014.

Respectfully submitted,

/s/ Amanda C. Downey

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