

December 19, 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. ER15-____-000
Filing of Cost Reimbursement Agreement with
New York Power Authority**

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 the New York Power Authority (“NYPA”). The Reimbursement Agreement is designated as Service Agreement No. 2177 under the New York Independent System Operator, Inc.’s (“NYISO”) Open Access Transmission Tariff (“OATT”).

The Reimbursement Agreement is an undisputed agreement between National Grid and NYPA pursuant to which National Grid will engineer, design, procure, construct, test, and commission replacement or upgrade facilities on the National Grid transmission system that are directly affected by NYPA’s planned installation of new Series Compensation Equipment on the existing Edic-Frazier 345 kV transmission line. National Grid respectfully requests that the Commission accept the Reimbursement Agreement for filing effective as of November 21, 2014, the effective date set forth in the Reimbursement Agreement.

I. Background

National Grid is a public utility with a transmission system in the State of New York. NYPA is a corporate instrumentality of the State of New York with its own transmission system in the State of New York. Both National Grid and NYPA have placed their transmission systems under the operational control of the NYISO.

¹ 16 U.S.C. § 824d.

² 18 C.F.R. Part 35.

NYPA plans to install new Series Compensation Equipment on the existing Edic-Frazier 345 kV transmission line (the Marcy South Series Compensation Project or the “Project”). NYPA has undertaken a study of adjoining transmission facilities and has identified equipment on National Grid’s transmission system that will require National Grid to engineer, design, procure, construct, test, and commission replacement or upgrade facilities as part of the Project. The scope of this work addressed in the Reimbursement Agreement covers National Grid facilities that are directly affected by the Project.³

II. Description of the Reimbursement Agreement and Filing Requirements

Pursuant to the Reimbursement Agreement, NYPA will reimburse National Grid for the actual costs and expenses incurred in connection with work performed by National Grid as part of the Project. The Reimbursement Agreement sets forth the terms and conditions of this work and certain related commitments by NYPA. The Reimbursement Agreement includes provisions addressing the performance and schedule of the work, liability and indemnification, insurance, and various standard provisions for utility cost reimbursement agreements. National Grid and NYPA entered into the Reimbursement Agreement on November 21, 2014, the effective date specified in the Reimbursement Agreement.

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 facilities which include jurisdictional facilities and for engineering, procurement, and

³ Reimbursement Agreement, Recitals and Schedule A.

⁴ 16 U.S.C. §§ 824d(a)-(c) (2006).

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).

construction services covering National Grid replacement or upgrade facilities that are directly affected by the Project. Therefore, the Commission will likely find it to be a CIAC agreement that must be filed.

National Grid is performing these services at actual cost as set forth in Article 1 to the Reimbursement Agreement and has not collected any funds pursuant to the Reimbursement Agreement prior to its submittal of the instant filing.⁷ The costs of these services are properly allocated to NYPA because these services have been requested by NYPA to facilitate the construction of the Project. 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

The Commission's regulations provide for service agreements to be filed not more than 30 days after service under the agreements has commenced.⁸ As discussed above, National Grid and NYPA intend that the Reimbursement Agreement go into effect as of November 21, 2014, *i.e.*, fewer than 30 days before National Grid filed the Reimbursement Agreement. Therefore, National Grid requests that the Commission accept the Reimbursement Agreement effective November 21.

⁷ See Reimbursement Agreement, Section 1.0, definition of "Company Reimbursable Costs." See also *id.* at Section 11.1 (stating that National Grid "is not in the business of performing design, engineering, or construction services for profit and is not receiving any fee or profit (as contrasted with cost reimbursement) for its performance of the work hereunder"). Section 7.1 of the Reimbursement Agreement states that National Grid will invoice NYPA for an initial prepayment of \$590,000 within 30 days after the effective date of the Reimbursement Agreement, and NYPA will pay the initial prepayment to National Grid within 30 days after NYPA receives the invoice. National Grid has not yet issued the invoice for the initial prepayment and NYPA has not yet paid it.

⁸ 18 C.F.R. § 35.3(a)(2).

IV. 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 NYPA, the NYISO, and the New York State Public Service Commission.

V. Conclusion

For the reasons stated herein, National Grid respectfully requests that the Commission accept the Reimbursement Agreement effective as of November 21, 2014.

Respectfully submitted,

/s/ Amanda C. Downey

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