

October 31, 2012

Honorable Jaclyn A. Brillling, Secretary
State of New York
Public Service Commission
Office of the Secretary, 19th Floor
Three Empire State Plaza
Albany, New York 12223-1350

CASE 12-E-0201 - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Niagara Mohawk Power Corporation d/b/a National Grid for Electric Service

CASE 12-G-0202 - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Niagara Mohawk Power Corporation d/b/a National Grid for Gas Service

Dear Secretary Brillling:

Niagara Mohawk Power Corporation d/b/a National Grid (the “Company”) today filed a Term Sheet that reflects the principal terms of a settlement agreement among certain parties in the above proceedings. The agreement of the parties summarized in the Term Sheet resolves the issues raised in these proceedings and provides for a three year rate plan that the Company believes is in the best interests of its electric and gas customers.

The rate plan would provide the Company with recovery of the reasonable costs required to continue providing safe and reliable electric and gas service and enable the Company to continue its capital investment programs to maintain and update its infrastructure in Upstate New York. It would also permit the further expansion of important customer programs such as low income, economic development and outreach and education and, importantly, would achieve these objectives while maintaining rate stability for customers.

The rate plan has been timed such that new electric delivery rates will replace a portion of an expiring annualized electric surcharge. The net result is continued rate stability and, for most customers, lower electric delivery bills. Although the expiration of the deferral surcharge currently paid by most electric customers more than offsets the electric delivery rate increase, the rate plan provides for a deeper reduction in electric delivery rates by crediting to customers a portion of the forecast balance of electric deferred credits. Gas customers would experience lower gas delivery bills in the first year of the new rate plan. In subsequent years, the rate plan provides rate stability by offsetting a portion of the delivery rate increases through the expiration of certain gas deferral recoveries and crediting to customers a portion of the forecast balance of gas deferred credits. Gas customers will also continue to benefit from low gas commodity costs, which are forecast to remain below the ten year historic average.

The Company appreciates the collaborative efforts of the parties in these proceedings and looks forward to working with them over the coming weeks to memorialize the agreement in a Joint Proposal that promotes the interests of customers and the objectives of the Commission.

Respectfully submitted,

Catherine L. Nesser

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Attachments