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September 12, 2008

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

Re: Niagara Mohawk Power Corporation
Docket Nos. ER08-552-___ and ER08-____-000
Revisions to Wholesale TSC Formula Rate of National Grid Under the NYISO OATT

Dear Secretary Bose:

On July 29, 2008, the Commission issued in the above-referenced proceeding its "Order Accepting and Suspending Formula Rate Subject to Refund and Establishing Hearing and Settlement Judge Procedures," 124 FERC ¶ 61,106 ("July 29 Order"). In the July 29 Order, the Commission accepted the filing by Niagara Mohawk Power Corporation d/b/a National Grid ("National Grid") in this proceeding of revisions to certain National Grid-specific components of the wholesale Transmission Service Charge ("Wholesale TSC") formula rate under the Open Access Transmission Tariff ("OATT") administered by the New York Independent System Operator, Inc. ("NYISO"), and suspended these tariff revisions for five months, to become effective October 1, 2008, subject to the outcome of hearing and settlement judge procedures. In the instant filing, the NYISO submits, on behalf of National Grid,¹ revised tariff sheets for inclusion in the NYISO OATT pursuant to the Commission's acceptance of the revisions to National Grid's Wholesale TSC formula rate in the July 29 Order. In addition, the submitted tariff sheets include minor corrections and clarifications of that formula rate that National Grid is now proposing under Section 205 of the Federal Power Act ("FPA"), 16 U.S.C. § 824d. The NYISO and National Grid respectfully request that the revisions to the NYISO OATT contained herein be made effective October 1, 2008.

¹ The NYISO takes no position regarding the justness and reasonableness of any element of National Grid's proposed Wholesale TSC components or National Grid's proposed new corrections and clarifications to its formula rate.

Two additional copies of the instant filing are enclosed to be date-stamped and returned to the messenger.

I. Background

On February 11, 2008, National Grid submitted in this proceeding a filing (“February 11 Filing”) in which it proposed to revise Section 9.0 of Attachment H to the NYISO OATT (“Section 9.0”) to state that it will use monthly inputs to National Grid-specific components of the Wholesale TSC formula rate described in Section 9.0. National Grid proposed to use monthly values in computing the Revenue Requirement (“RR”) component, the Scheduling, System Control and Dispatch Costs (“CCC”) component, and the Annual Billing Units (“BU”) component of that formula rate. As explained in the July 29 Order, National Grid submitted the February 11 Filing after consulting with the NYISO, which administers the Wholesale TSC formula rate under its OATT, to determine a mutually acceptable means for National Grid to exercise its rights under Section 205 of the FPA with respect to changing the RR, CCC, and BU components of the formula rate, subject to the NYISO making a subsequent filing to amend its OATT pursuant to Commission acceptance of the February 11 Filing and any further revisions the Commission might order.² On May 30, 2008, National Grid supplemented the February 11 Filing in response to a deficiency letter issued by the Commission Staff on April 30, 2008. In the July 29 Order, the Commission accepted for filing the revisions to the NYISO OATT proposed by National Grid and suspended the revisions for five months, to become effective October 1, 2008, subject to refund and the outcome of hearing and settlement judge procedures.³

Subsequent to the issuance of the July 29 Order, National Grid determined that certain minor corrections and clarifications should be made to the tariff sheets containing Section 9.0. Specifically, three items in the formula for calculating the RR component (Revenue Credits, Billing Adjustments, and Bad Debt Expense) should be reordered on Sheet No. 413G to reflect the order of the more detailed descriptions of those items on Sheet Nos. 413M and 413N. Also, to ensure that the correct names of the defined terms in Section 9.0 are used and that the cross-references in that section read correctly, the term “Bad Debt Expense” on Sheet No. 413G should be changed to “Transmission Related Bad Debt Expense,” the term “Plant Held for Future” on Sheet No. 413H should be changed to “Plant Held for Future Use,” and the term “Transmission Depreciation Expense” on Sheet No. 413L should be changed to “Depreciation Expense for Transmission Plant in Service.” Further, the term “Plant Held for Future Use” on Sheet No. 413G should be changed to “Transmission Related Plant Held for Future Use.” Lastly, on Sheet No. 413O, the phrase “Billing Adjustment per J above” should be changed to “Billing Adjustment per I above.”

² July 29 Order at P 8. Although the July 29 Order did not expressly adopt National Grid’s proposal that the Commission direct the NYISO to make the instant filing the NYISO interprets the Commission’s acceptance of National Grid’s proposed formula as implicitly authorizing it.

³ *Id.* at Ordering Paragraph (B).

II. Proposed Revisions to the NYISO OATT

Pursuant to the Commission's acceptance, in the July 29 Order, of the revisions to the NYISO OATT proposed by National Grid, the NYISO is now submitting NYISO OATT sheets to implement those revisions. Further, the NYISO is including the minor corrections and clarifications of Section 9.0 that National Grid is now proposing under Section 205 of the FPA, which were described above. The NYISO understands that National Grid has concluded that these changes are necessary to ensure that the Wholesale TSC formula rate accepted by the Commission is implemented properly and that there is no ambiguity as to the formula for calculating the RR component. In order to facilitate the orderly revision of its OATT the NYISO respectfully asks on behalf of National Grid that the Commission accept all of the tariff revisions contained in the instant filing.

III. Effective Date and Request for Waiver

The NYISO and National Grid respectfully request that the revisions to the NYISO OATT contained in the instant filing be made effective October 1, 2008, and, pursuant to Section 35.11 of the Commission's regulations, 18 C.F.R. § 35.11, they request waiver, to the extent necessary, of Section 35.3 of the Commission's regulations, 18 C.F.R. § 35.3, to permit the requested effective date. Good cause exists for granting that effective date. October 1 is when the revisions contained in the February 11 Filing will go into effect pursuant to the July 29 Order. Moreover, as explained above, the tariff revisions proposed in the instant filing clarify the application of the formula for calculating the RR component, and no purchasers under the NYISO OATT will be adversely affected by the requested effective date. For these reasons, it is appropriate to make the tariff revisions contained in the instant filing effective October 1.

IV. Communications

The NYISO requests that all correspondence, pleadings, and other communications regarding the instant filing be served upon the following:

Robert E. Fernandez, General Counsel
Mollie Lampi, Assistant General Counsel
Elaine D. Robinson, Dir. Regulatory Affairs
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National Grid requests that all correspondence, pleadings, and other communications regarding this filing be served upon the following, and further requests waiver of the Commission's regulations to allow three persons to be designated for service:

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Transmission Finance
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V. Contents of Filing

In addition to this transmittal letter, the following attachments support the instant filing:

Attachment A	Revised clean NYISO OATT sheets ⁴
Attachment B	Revised sheets showing revisions to the NYISO OATT in black-line format

VI. Service

The NYISO will electronically send a link to the instant filing to the official representative of each of its Customers, to each participant on its stakeholder committees, to the New York Public Service Commission, to the electric utility regulatory agencies of New Jersey and Pennsylvania, and to each party on the official service list for Docket No. ER08-552. In

⁴ The revised clean NYISO OATT sheets contained in Attachment A hereto include Sheet No. 404, which had been included in the February 11 Filing bearing the effective date that National Grid had proposed for the tariff revisions in that filing (May 1, 2008). Pursuant to the Commission's acceptance of the February 11 Filing effective October 1, 2008, Sheet No. 404 is included in the instant filing with an effective date of October 1. However, no changes to the body of that tariff sheet are proposed in the instant filing.

addition, the complete filing will be posted on the NYISO's website at www.nyiso.com. The NYISO will also make a paper copy available to any interested party that requests one. To the extent necessary, the NYISO requests waiver of the requirements of Section 35.2(d) of the Commission's regulations, 18 C.F.R. § 35.2(d), to permit it to provide service in this manner.

Pursuant to Section 35.2(d) of the Commission's regulations, National Grid will serve a copy of the instant filing on its customers under the rate affected by this filing.

VII. Miscellaneous

No agreement is required by contract for the submittal of this rate filing. There are no costs included in this filing that have been alleged or adjudged in an administrative or judicial proceeding to be illegal, duplicative, or unnecessary costs, nor has any expense or cost been demonstrated to be the product of discriminatory employment practices.

VIII. Conclusion

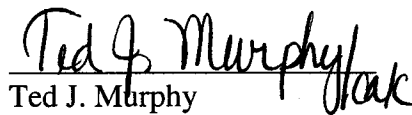
For the foregoing reasons, the NYISO and National Grid respectfully request that the Commission accept these proposed tariff changes without suspension, condition, or modification.

Respectfully submitted,



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Counsel for the New York Independent
System Operator, Inc.

ATTACHMENT A

TABLE 1 - WHOLESALE TSC CALCULATION INFORMATION

Transmission Owner	Revenue Requirement (RR)	Scheduling System Control and Dispatch Costs (CCC)	Annual Billing Units (BU) MWh	Rate \$/MWh ¹
Central Hudson Gas & Electric Corp.	\$16,375,919	\$1,309,980	4,723,659	\$3.7441
Consolidated Edison Co. of NY, Inc.	\$385,900,000	\$21,000,000	49,984,628	\$8.1405
LIPA	\$105,602,083	\$3,453,343	20,618,939	\$5.2891
New York Electric & Gas Corporation ²	\$94,143,899	\$1,633,000	14,817,111	\$6.4639
Niagara Mohawk Power Corporation	See Attachment H, Section 9	See Attachment H, Section 9	See Attachment H, Section 9	See Attachment H, Section 9
Orange and Rockland Utilities, Inc.	\$21,034,831	\$942,579	3,595,947	\$6.1117
Rochester Gas and Electric Corporation	\$25,795,509	\$583,577	6,967,556	\$3.7860

¹ The rate column represents the unit rate prior to crediting; the actual rate will be determined pursuant to the applicable TSC formula rate.

² NYSEG's RR, BU and unit Rate prior to adjustment pursuant to Attachment H, are subject to retroactive modification pursuant to the provisions of the Settlement Agreement approved by the Commission in its March 26, 2004 order issued in Docket No. EL04-56-000. For any Transmission Customer that "opts out" of the Settlement Agreement as described in paragraph 1.E thereof, the applicable NYSEG "RR" shall be \$100,541,739; the "BU" shall be 13,741,901 MWh; and, the "Rate" prior to adjustment pursuant to Attachment H, shall be \$7.4235 effective as of March 1, 2004.

9.0 Niagara Mohawk Power Corporation Wholesale TSC Formula Components RR, CCC and BU

Niagara Mohawk Power Corporation's ("NMPC") will calculate and update each of its RR, CCC, and BU components monthly using the formulas described below for each component. In each case, the cost data used in the formula will be cost data from NMPC's official books and records for the month that ended one month prior to the month in which the TSC rate will be posted. Components RR, CCC and BU will be posted by the 14th of each month.

Definitions

Capitalized terms used in this calculation will have the following definitions:

Allocation Factors

1. Electric Wages and Salaries Allocation Factor shall equal the ratio of NMPC electric direct wages and salaries (including any direct wages or salaries charged to NMPC by a National Grid Affiliate) to NMPC's total gas and electric direct wages and salaries (including any wages charged to NMPC by a National Grid Affiliate) excluding any administrative and general wages and salaries.
2. Transmission Plant Allocation Factor shall equal the total investment in Transmission Plant divided by the sum of the total Transmission Plant plus the total Distribution Plant, excluding Intangible Plant, Electric General Plant and Common General Plant.

3. Transmission Wages and Salaries Allocation Factor shall equal the ratio of NMPC Transmission-related direct electric wages and salaries (including any direct wages or salaries charged to NMPC by a National Grid Affiliate) to NMPC's total electric direct wages and salaries (including any wages charged to NMPC by a National Grid Affiliate) excluding any administrative and general wages and salaries.

Ratebase and Expense Items

4. Administrative and General Expense shall equal expenses as recorded in FERC Account Nos. 920-935. FERC Account No. 926 shall be adjusted by reversing the adjustment to the deferred pension costs booked per the NYPS&C Statement of Policy for Accounting and Ratemaking Treatment for Pension and Post-Retirement Benefits Other than Pensions. Administrative and General Expenses shall exclude the actual Post-Employment Benefits Other than Pensions expenses ("PBOP") included in FERC Account 926, and add back the FERC accepted Post Employment Benefit Other than Pensions of \$88,464,000 annually or \$7,372,000 per month or any other amount subsequently approved by FERC under Section 205 of the Federal Power Act.
5. Amortization of Investment Tax Credits shall equal credits as recorded in FERC Account No. 411.4.
6. Amortization of Loss on Reacquired Debt shall equal expenses as recorded in FERC Account No. 428.1.

7. Common General Plant shall equal the balance of plant recorded in FERC Account Nos. 389-399. Common General Plant shall be defined as the general plant common to NMPC's gas and electric functions.
8. Common General Plant Depreciation Expense shall equal the common plant depreciation expenses as recorded in FERC Account No. 403 associated with Common General Plant.
9. Common General Plant Depreciation Reserve shall equal the common plant depreciation reserve balance as recorded in FERC Account No. 108 associated with Common General Plant.
10. Depreciation Expense for Transmission Plant in Service shall equal depreciation expenses as recorded in FERC Account No. 403 calculated using the depreciation rates set forth in the following table:

Depreciation Rates

<u>FERC Account</u>	<u>Annual Rate</u>
350. Land -Rights of Way and Easements	1.33
352 Structures and Improvements	1.92
353 Station Equipment	1.90
353.55 Station Equipment -_EMS	5.00
354 Towers and Fixtures	1.47
355 Poles and Fixtures	1.91

356	Overhead Conductors and Devices	
	Steel Tower Lines	1.40
	Wood Pole Lines	1.58
357	Underground Conduit	2.02
358	Underground Conductors and Devices	1.40
359	Road and Trails	1.33
370	Meters	
	Meters	3.13
	Installation	2.78

11. Distribution Plant shall equal the plant balance as recorded in FERC Account Nos. 360 – 374.
12. Equity AFUDC shall equal the activity recorded in FERC Account No. 419.1.
13. Electric General Plant shall equal the plant balance recorded in FERC Account Nos. 389-399. General Electric Plant shall be defined as the general plant associated with NMPC's electric function.
14. Electric General Plant Depreciation Expense shall equal general plant depreciation expenses as recorded in FERC Account No. 403 associated with Electric General Plant.
15. Electric General Plant Depreciation Reserve shall equal the general plant depreciation reserve balance as recorded in FERC Account No. 108 associated with Electric General Plant.

16. Loss on Reacquired Debt shall equal the loss on reacquired debt as recorded in FERC Account 189.
17. Materials and Supplies shall equal materials and supplies balance as recorded in FERC Account No. 154.
18. Payroll Taxes shall equal the electric payroll tax expenses as recorded in FERC Account Nos. 408.100, 408.110 and 408.130.
19. Plant Held for Future Use shall equal the balance as recorded in FERC Account No. 105.
20. Prepayments shall equal prepayment balance as recorded in FERC Account No. 165.
21. Real Estate Tax Expenses shall equal electric real estate tax expense as recorded in FERC Account No. 408.140 and 408.180.
22. Regulatory Assets and Liabilities shall equal state and federal regulatory asset balances in FERC Account Nos. 182.3 and 254, assets and liabilities solely related to FAS109, and excess AFUDC.
23. Total Accumulated Deferred Income Taxes shall equal the sum of deferred tax balances recorded in FERC Account Nos. 281 - 283 plus accumulated deferred investment tax credits as reflected in FERC Account No. 255, minus the deferred tax balance in FERC Account No. 190. Total Accumulated Deferred Income Taxes shall exclude the specifically identified generation-related stranded cost deferred taxes.

24. Transmission Depreciation Reserve shall equal electric transmission plant related depreciation reserve balance as recorded in FERC Account 108 associated with Transmission Plant.
25. Transmission Operation and Maintenance Expense shall equal the sum of electric expenses as recorded in FERC Account Nos. 560, 562-573.
26. Transmission Plant shall equal the gross plant balance as recorded in FERC Account Nos. 350-359.
27. Transmission Related Taxes and Fees Charge shall include any transmission-related fee or assessment imposed by any governmental authority on transmission service provided which is not specifically identified under any other section contained herein.
28. Transmission Related Bad Debt Expense shall equal Bad Debt Expense as reported in Account 904 related to wholesale transmission billing.
29. Wholesale Metering Investment shall equal the net plant investment associated with any Revenue or Remote Terminal Unit (RTU) meters and associated equipment connected to an internal or external tie at voltages equal to or greater than 23V. The net plant investment shall be determined monthly by multiplying the number of such existing wholesale meters recorded in FERC Account No. 370.3 and in blanket metering accounts by the monthly average net cost of the meters plus the monthly average net costs of installation. To the extent future gross plant investment for Wholesale Metering can be specifically identified, actual net meter costs will be used.

In the event that the above-referenced FERC accounts are renumbered, renamed, or otherwise modified, the above sections shall be deemed amended to incorporate such renumbered, renamed, modified or additional accounts.

Calculation of RR

The RR component, determined monthly, shall equal the annualized sum of NMPC's monthly (A) Return and Associated Income Taxes, (B) Transmission Related Depreciation Expense, (C) Transmission Related Amortization of Loss on Reacquired Debt, (D) Transmission Related Real Estate Tax Expense, (E) Transmission Related Amortization of Investment Tax Credits, (F) Transmission Operation and Maintenance Expense, (G) Transmission Related Administrative and General Expenses, (H) Transmission Related Payroll Tax Expense, plus (I) Billing Adjustments, and plus (J) Transmission Related Bad Debt Expense less (K) Revenue Credits. "Annualized" as used in this Section 9.0 shall mean multiplied by twelve.

- A. Return and Associated Income Taxes shall equal the product of the Transmission Investment Base and the Cost of Capital Rate.
 - 1. Transmission Investment Base shall be defined as
 - (a) Transmission Plant in Service, plus (b) Transmission Related Electric General Plant, plus (c) Transmission Related Common General Plant, plus (d) Transmission Related Plant Held for Future Use, less (e) Transmission Related Depreciation Reserve, less (f) Transmission Related Accumulated

Deferred Taxes, plus (g) Transmission Related Loss on Reacquired Debt, plus (h) Transmission Related Regulatory Assets net of Regulatory Liabilities, plus (i) Transmission Related Prepayments, plus (j) Transmission Related Materials and Supplies, plus (k) Transmission Related Cash Working Capital.

- (a) Transmission Plant in Service shall equal the balance of total investment in Transmission Plant plus Wholesale Metering Investment.
- (b) Transmission Related Electric General Plant shall equal the balance of investment in Electric General Plant multiplied by the Transmission Wages and Salaries Allocation Factor.
- (c) Transmission Related Common General Plant shall equal Common General Plant multiplied by the Electric Wages and Salaries Allocation Factor and further multiplied by the Transmission Wages and Salaries Allocation Factor.
- (d) Transmission Related Plant Held for Future Use shall equal Plant Held for Future Use multiplied by the Electric Wages and Salaries Allocation Factor and further multiplied by the Transmission Wages and Salaries Allocation Factor.

- (e) Transmission Related Depreciation Reserve shall equal the balance of: (i) Transmission Depreciation Reserve, plus (ii) the product of Electric General Plant Depreciation Reserve multiplied by the Transmission Wages and Salaries Allocation Factor, plus (iii) the product of Common General Plant Depreciation Reserve multiplied by the Electric Wages and Salaries Allocation Factor and further multiplied by the Transmission Wages and Salaries Allocation Factor.
- (f) Transmission Related Accumulated Deferred Income Taxes shall equal the electric balance of Total Accumulated Deferred Income Taxes, multiplied by the Transmission Plant Allocation Factor.
- (g) Transmission Related Loss on Reacquired Debt shall equal the product of Loss on Reacquired Debt multiplied by the Electric Wages and Salaries Allocation Factor and further multiplied by the Transmission Plant Allocation Factor.
- (h) Transmission Related Regulatory Assets shall be Regulatory Assets net of Regulatory Liabilities multiplied by the Transmission Plant Allocation Factor.

- (i) Transmission Related Prepayments shall be the product of Prepayments multiplied by the Electric Wages and Salaries Allocation Factor and further multiplied by the Transmission Plant Allocation Factor.
- (j) Transmission Related Materials and Supplies shall equal:
 - (i) the balance of Materials and Supplies assigned to Transmission plus (ii) the product of Material and Supplies assigned to Construction multiplied by the Electric Wages and Salaries Allocation Factor and further multiplied by Transmission Plant Allocation Factor.
- (k) Transmission Related Cash Working Capital shall be an allowance equal to the product of: (i) 1.5 (45 days = 1.5 months) multiplied by (ii) Transmission Operation and Maintenance Expense plus Transmission-Related Administrative and General Expense.

2. Cost of Capital Rate

The Cost of Capital Rate shall equal the proposed Weighted Costs of Capital plus Federal Income Taxes and State Income Taxes.

- (a) The Weighted Costs of Capital will be calculated for the Transmission Investment Base using NMPC's actual capital structure and will equal the sum of (i), (ii), and (iii) below:
- (i) the long-term debt component, which equals the product of the actual weighted average embedded cost to maturity of NMPC's long-term debt then outstanding and the ratio of actual long-term debt to total capital.
 - (ii) the preferred stock component, which equals the product of the actual weighted average embedded cost to maturity of NMPC's preferred stock then outstanding and the ratio of actual preferred stock to total capital;
 - (iii) the return on equity component, shall be the product of the allowed ROE of 11.9% plus a 50 basis point adder (per FERC Order 697 and 697A) and the ratio of NMPC's actual common equity to total capital.

(b) Federal Income Tax shall equal

$$\frac{(A + [B/C]) \times \text{Federal Income Tax Rate}}{(1 - \text{Federal Income Tax Rate})}$$

where A is the sum of the preferred stock component and the return on equity component, each as determined in

Sections 2.(a)(ii) and for the ROE set forth in 2.(a)(iii) above, B is the Equity AFUDC component of Depreciation Expense for Transmission Plant in Service as defined at 10. above, and C is the Transmission Investment Base as defined in A.1.a above.

(c) State Income Tax shall equal

$$\frac{(A + [B/C] + \text{Federal Income Tax}) \times \text{State Income Tax Rate}}{(1 - \text{State Income Tax Rate})}$$

Where A is the sum of the preferred stock component and the return on equity component as determined in A.2.(a)(ii) and A.2.(a)(iii) above, B is the Equity AFUDC component of Depreciation Expense for Transmission Plant in Service as defined at 10. above, and C is the Transmission Investment Base as defined in A.1.a above.

- B. Transmission Related Depreciation Expense shall equal the sum of: (i) Depreciation Expense for Transmission Plant in Service, plus (ii) the product of Electric General Plant Depreciation Expense multiplied by the Transmission Wages and Salaries Allocation Factor plus (iii) Common General Plant Depreciation Expense multiplied by the Electric Wages and Salaries Allocation Factor, further multiplied by the Transmission Wages and Salaries Allocation Factor.
- C. Transmission Related Amortization of Loss on Reacquired Debt shall equal the Amortization of Loss on Reacquired Debt multiplied by the Electric Wages and Salaries Allocation Factor and further multiplied by the Transmission Plant Allocation Factor.

- D. Transmission Related Real Estate Tax Expense shall equal the electric Real Estate Tax Expenses multiplied by the Transmission Plant Allocation Factor.
- E. Transmission Related Amortization of Investment Tax Credits shall equal the product of Amortization of Investment Tax Credits multiplied by the Transmission Plant Allocation Factor.
- F. Transmission Operation and Maintenance Expense shall equal the Transmission Operation and Maintenance Expense.
- G. Transmission Related Administrative and General Expenses shall equal the product of electric Administrative and General Expenses multiplied by the Transmission Wages and Salaries Allocation Factor.
- H. Transmission Related Payroll Tax Expense shall equal the product of electric Payroll Taxes multiplied by the Transmission Wages and Salaries Allocation Factor.
- I. Billing Adjustments shall be plus or minus any billing adjustments from the prior transmission billing periods. Billing adjustments shall include, but not be limited to, corrections to any value included in the TSC rate, including adjustments to the BU components due to metering errors or true-ups. Such adjustments may be corrected prospectively. However, if the error is substantial, or affects an individual Customer, NMPC reserves the right to credit and rebill customers for each affected billing month in which the error occurred.

- J. Transmission Related Bad Debt Expense shall equal Transmission Related Bad Debt Expense as defined at 28 above.
- K. Revenue Credits shall equal all Transmission revenue recorded in FERC account 456 excluding any NMPC revenues already reflected in the WR, CRR, SR, ECR and Reserved components in Attachment H of the NYISO TSC rate and excluding any revenues associated with expenses that have been excluded from NMPC's revenue requirement.

The Annual Transmission Carrying Charge shall be the Annual Transmission Revenue Requirement as determined per this Section 9, the sum of Component RR Sections (A) through (J) above, divided by the year-end balance of the total transmission plant investment in service determined in accordance (A).1.(a) above. The Annual Revenue Requirement for specific charges related to transmission service under the NYISO tariff, not already provided under this Transmission Service Charge (TSC), shall be determined by multiplying the year-end Gross Plant Investment associated with the specific transmission investment for that transmission service and the average Annual Transmission Carrying Charge.

Formula rate inputs for rate of return on common equity, depreciation rates, and Post Employment Benefits Other than Pensions (PBOP) shall be stated values until changed pursuant to an FPA Section 205 or 206 filing made effective by the Commission. An application under Section 205 or 206 to modify stated values for depreciation rates or PBOP expenses under the formula rate shall not open review of other components of the formula rate.

Calculation of CCC

CCC shall equal the annualized sum of NMPC's monthly Scheduling, System Control and Dispatch Costs (i.e., the transmission component of control center costs) charges from the New York Independent System Operator as recorded in FERC sub-accounts 561 and 561.2.

Calculation of BU

BU shall initially equal the annualized sum of NMPC's estimated Corporate Load. NMPC's Corporate Load is defined as the sum of all NYISO defined NMPC subzones plus (i) historically based estimates for NMPC's load modifiers, less (ii) estimated NYPA Municipal Loads, and less (iii) estimated NYMPA Loads. The Corporate Load will be further reduced by the mostly currently available NYISO monthly data for station power loads and station service loads.

Once the NYISO load data is available for a month, that month's TSC calculation will be recalculated with BU defined as the annualized sum of the total load for NMPC and ESCO's plus loads for the Power for Jobs, Replacement, Expansion and Economic Development NYPA programs. The resulting true-up adjustment will be treated as a Billing Adjustment per I above.

ATTACHMENT B

TABLE 1 - WHOLESALE TSC CALCULATION INFORMATION

Transmission Owner	Revenue Requirement (RR)	Scheduling System Control and Dispatch Costs (CCC)	Annual Billing Units (BU) MWh	Rate \$/MWh ¹
Central Hudson Gas & Electric Corp.	\$16,375,919	\$1,309,980	4,723,659	\$3.7441
Consolidated Edison Co. of NY, Inc.	\$385,900,000	\$21,000,000	49,984,628	\$8.1405
LIPA	\$105,602,083	\$3,453,343	20,618,939	\$5.2891
New York Electric & Gas Corporation ²	\$94,143,899	\$1,633,000	14,817,111	\$6.4639
Niagara Mohawk Power Corporation	See Attachment H, Section 9	See Attachment H, Section 9	See Attachment H, Section 9	See Attachment H, Section 9
Orange and Rockland Utilities, Inc.	\$21,034,831	\$942,579	3,595,947	\$6.1117
Rochester Gas and Electric Corporation	\$25,795,509	\$583,577	6,967,556	\$3.7860

¹ The rate column represents the unit rate prior to crediting; the actual rate will be determined pursuant to the applicable TSC formula rate.

² NYSEG's RR, BU and unit Rate prior to adjustment pursuant to Attachment H, are subject to retroactive modification pursuant to the provisions of the Settlement Agreement approved by the Commission in its March 26, 2004 order issued in Docket No. EL04-56-000. For any Transmission Customer that "opts out" of the Settlement Agreement as described in paragraph 1.E thereof, the applicable NYSEG "RR" shall be \$100,541,739; the "BU" shall be 13,741,901 MWh; and, the "Rate" prior to adjustment pursuant to Attachment H, shall be \$7.4235 effective as of March 1, 2004.

9.0 Niagara Mohawk Power Corporation Wholesale TSC Formula Components RR, CCC and BU

Niagara Mohawk Power Corporation's ("NMPC") will calculate and update each of its RR, CCC, and BU components monthly using the formulas described below for each component. In each case, the cost data used in the formula will be cost data from NMPC's official books and records for the month that ended one month prior to the month in which the TSC rate will be posted. Components RR, CCC and BU will be posted by the 14th of each month.

Definitions

Capitalized terms used in this calculation will have the following definitions:

Allocation Factors

1. Electric Wages and Salaries Allocation Factor shall equal the ratio of NMPC electric direct wages and salaries (including any direct wages or salaries charged to NMPC by a National Grid Affiliate) to NMPC's total gas and electric direct wages and salaries (including any wages charged to NMPC by a National Grid Affiliate) excluding any administrative and general wages and salaries.
2. Transmission Plant Allocation Factor shall equal the total investment in Transmission Plant divided by the sum of the total Transmission Plant plus the total Distribution Plant, excluding Intangible Plant, Electric General Plant and Common General Plant.

3. Transmission Wages and Salaries Allocation Factor shall equal the ratio of NMPC Transmission-related direct electric wages and salaries (including any direct wages or salaries charged to NMPC by a National Grid Affiliate) to NMPC's total electric direct wages and salaries (including any wages charged to NMPC by a National Grid Affiliate) excluding any administrative and general wages and salaries.

Ratebase and Expense Items

4. Administrative and General Expense shall equal expenses as recorded in FERC Account Nos. 920-935. FERC Account No. 926 shall be adjusted by reversing the adjustment to the deferred pension costs booked per the NYPSC Statement of Policy for Accounting and Ratemaking Treatment for Pension and Post-Retirement Benefits Other than Pensions. Administrative and General Expenses shall exclude the actual Post-Employment Benefits Other than Pensions expenses ("PBOP") included in FERC Account 926, and add back the FERC accepted Post Employment Benefit Other than Pensions of \$88,464,000 annually or \$7,372,000 per month or any other amount subsequently approved by FERC under Section 205 of the Federal Power Act.
5. Amortization of Investment Tax Credits shall equal credits as recorded in FERC Account No. 411.4.
6. Amortization of Loss on Reacquired Debt shall equal expenses as recorded in FERC Account No. 428.1.

7. Common General Plant shall equal the balance of plant recorded in FERC Account Nos. 389-399. Common General Plant shall be defined as the general plant common to NMPC's gas and electric functions.
8. Common General Plant Depreciation Expense shall equal the common plant depreciation expenses as recorded in FERC Account No. 403 associated with Common General Plant.
9. Common General Plant Depreciation Reserve shall equal the common plant depreciation reserve balance as recorded in FERC Account No. 108 associated with Common General Plant.
10. Depreciation Expense for Transmission Plant in Service shall equal depreciation expenses as recorded in FERC Account No. 403 calculated using the depreciation rates set forth in the following table:

Depreciation Rates

<u>FERC Account</u>	<u>Annual Rate</u>
350. Land -Rights of Way and Easements	1.33
352 Structures and Improvements	1.92
353 Station Equipment	1.90
353.55 Station Equipment -_EMS	5.00
354 Towers and Fixtures	1.47
355 Poles and Fixtures	1.91

356	Overhead Conductors and Devices	
	Steel Tower Lines	1.40
	Wood Pole Lines	1.58
357	Underground Conduit	2.02
358	Underground Conductors and Devices	1.40
359	Road and Trails	1.33
370	Meters	
	Meters	3.13
	Installation	2.78

11. Distribution Plant shall equal the plant balance as recorded in FERC Account Nos. 360 – 374.
12. Equity AFUDC shall equal the activity recorded in FERC Account No. 419.1.
13. Electric General Plant shall equal the plant balance recorded in FERC Account Nos. 389-399. General Electric Plant shall be defined as the general plant associated with NMPC's electric function.
14. Electric General Plant Depreciation Expense shall equal general plant depreciation expenses as recorded in FERC Account No. 403 associated with Electric General Plant.
15. Electric General Plant Depreciation Reserve shall equal the general plant depreciation reserve balance as recorded in FERC Account No. 108 associated with Electric General Plant.

16. Loss on Reacquired Debt shall equal the loss on reacquired debt as recorded in FERC Account 189.
17. Materials and Supplies shall equal materials and supplies balance as recorded in FERC Account No. 154.
18. Payroll Taxes shall equal the electric payroll tax expenses as recorded in FERC Account Nos. 408.100, 408.110 and 408.130.
19. Plant Held for Future Use shall equal the balance as recorded in FERC Account No. 105.
20. Prepayments shall equal prepayment balance as recorded in FERC Account No. 165.
21. Real Estate Tax Expenses shall equal electric real estate tax expense as recorded in FERC Account No. 408.140 and 408.180.
22. Regulatory Assets and Liabilities shall equal state and federal regulatory asset balances in FERC Account Nos. 182.3 and 254, assets and liabilities solely related to FAS109, and excess AFUDC.
23. Total Accumulated Deferred Income Taxes shall equal the sum of deferred tax balances recorded in FERC Account Nos. 281 - 283 plus accumulated deferred investment tax credits as reflected in FERC Account No. 255, minus the deferred tax balance in FERC Account No. 190. Total Accumulated Deferred Income Taxes shall exclude the specifically identified generation-related stranded cost deferred taxes.

24. Transmission Depreciation Reserve shall equal electric transmission plant related depreciation reserve balance as recorded in FERC Account 108 associated with Transmission Plant.
25. Transmission Operation and Maintenance Expense shall equal the sum of electric expenses as recorded in FERC Account Nos. 560, 562-573.
26. Transmission Plant shall equal the gross plant balance as recorded in FERC Account Nos. 350-359.
27. Transmission Related Taxes and Fees Charge shall include any transmission-related fee or assessment imposed by any governmental authority on transmission service provided which is not specifically identified under any other section contained herein.
28. Transmission Related Bad Debt Expense shall equal Bad Debt Expense as reported in Account 904 related to wholesale transmission billing.
29. Wholesale Metering Investment shall equal the net plant investment associated with any Revenue or Remote Terminal Unit (RTU) meters and associated equipment connected to an internal or external tie at voltages equal to or greater than 23V. The net plant investment shall be determined monthly by multiplying the number of such existing wholesale meters recorded in FERC Account No. 370.3 and in blanket metering accounts by the monthly average net cost of the meters plus the monthly average net costs of installation. To the extent future gross plant investment for Wholesale Metering can be specifically identified, actual net meter costs will be used.

In the event that the above-referenced FERC accounts are renumbered, renamed, or otherwise modified, the above sections shall be deemed amended to incorporate such renumbered, renamed, modified or additional accounts.

Calculation of RR

The RR component, determined monthly, shall equal the annualized sum of NMPC's monthly (A) Return and Associated Income Taxes, (B) Transmission Related Depreciation Expense, (C) Transmission Related Amortization of Loss on Reacquired Debt, (D) Transmission Related Real Estate Tax Expense, (E) Transmission Related Amortization of Investment Tax Credits, (F) Transmission Operation and Maintenance Expense, (G) Transmission Related Administrative and General Expenses, (H) Transmission Related Payroll Tax Expense, ~~less~~plus (I) ~~Revenue Credits~~, ~~plus~~ (J) Billing Adjustments, and plus (K) ~~Revenue Credits~~. Transmission Related Bad Debt Expense less (K) Revenue Credits. "Annualized" as used in this Section 9.0 shall mean multiplied by twelve.

- A. Return and Associated Income Taxes shall equal the product of the Transmission Investment Base and the Cost of Capital Rate.
1. Transmission Investment Base shall be defined as
- (a) Transmission Plant in Service, plus (b) Transmission Related Electric General Plant, plus (c) Transmission Related Common General Plant, plus (d) Transmission Related Plant Held for Future Use, less (e) Transmission Related Depreciation Reserve, less (f) Transmission Related Accumulated

Deferred Taxes, plus (g) Transmission Related Loss on Reacquired Debt, plus (h) Transmission Related Regulatory Assets net of Regulatory Liabilities, plus (i) Transmission Related Prepayments, plus (j) Transmission Related Materials and Supplies, plus (k) Transmission Related Cash Working Capital.

- (a) Transmission Plant in Service shall equal the balance of total investment in Transmission Plant plus Wholesale Metering Investment.
- (b) Transmission Related Electric General Plant shall equal the balance of investment in Electric General Plant multiplied by the Transmission Wages and Salaries Allocation Factor.
- (c) Transmission Related Common General Plant shall equal Common General Plant multiplied by the Electric Wages and Salaries Allocation Factor and further multiplied by the Transmission Wages and Salaries Allocation Factor.
- (d) Transmission Related Plant Held for Future Use shall equal Plant Held for Future Use multiplied by the Electric Wages and Salaries Allocation Factor and further multiplied by the Transmission Wages and Salaries Allocation Factor.

- (e) Transmission Related Depreciation Reserve shall equal the balance of: (i) Transmission Depreciation Reserve, plus (ii) the product of Electric General Plant Depreciation Reserve multiplied by the Transmission Wages and Salaries Allocation Factor, plus (iii) the product of Common General Plant Depreciation Reserve multiplied by the Electric Wages and Salaries Allocation Factor and further multiplied by the Transmission Wages and Salaries Allocation Factor.
- (f) Transmission Related Accumulated Deferred Income Taxes shall equal the electric balance of Total Accumulated Deferred Income Taxes, multiplied by the Transmission Plant Allocation Factor.
- (g) Transmission Related Loss on Reacquired Debt shall equal the product of Loss on Reacquired Debt multiplied by the Electric Wages and Salaries Allocation Factor and further multiplied by the Transmission Plant Allocation Factor.
- (h) Transmission Related Regulatory Assets shall be Regulatory Assets net of Regulatory Liabilities multiplied by the Transmission Plant Allocation Factor.

- (i) Transmission Related Prepayments shall be the product of Prepayments multiplied by the Electric Wages and Salaries Allocation Factor and further multiplied by the Transmission Plant Allocation Factor.
- (j) Transmission Related Materials and Supplies shall equal:
 - (i) the balance of Materials and Supplies assigned to Transmission plus (ii) the product of Material and Supplies assigned to Construction multiplied by the Electric Wages and Salaries Allocation Factor and further multiplied by Transmission Plant Allocation Factor.
- (k) Transmission Related Cash Working Capital shall be an allowance equal to the product of: (i) 1.5 (45 days = 1.5 months) multiplied by (ii) Transmission Operation and Maintenance Expense plus Transmission-Related Administrative and General Expense.

2. Cost of Capital Rate

The Cost of Capital Rate shall equal the proposed Weighted Costs of Capital plus Federal Income Taxes and State Income Taxes.

- (a) The Weighted Costs of Capital will be calculated for the Transmission Investment Base using NMPC's actual capital structure and will equal the sum of (i), (ii), and (iii) below:
- (i) the long-term debt component, which equals the product of the actual weighted average embedded cost to maturity of NMPC's long-term debt then outstanding and the ratio of actual long-term debt to total capital.
 - (ii) the preferred stock component, which equals the product of the actual weighted average embedded cost to maturity of NMPC's preferred stock then outstanding and the ratio of actual preferred stock to total capital;
 - (iii) the return on equity component, shall be the product of the allowed ROE of 11.9% plus a 50 basis point adder (per FERC Order 697 and 697A) and the ratio of NMPC's actual common equity to total capital.

(b) Federal Income Tax shall equal

$$\frac{(A + [B/C]) \times \text{Federal Income Tax Rate}}{(1 - \text{Federal Income Tax Rate})}$$

where A is the sum of the preferred stock component and

the return on equity component, each as determined in

Sections 2.(a)(ii) and for the ROE set forth in 2.(a)(iii) above, B is the Equity AFUDC component of ~~Transmission~~ Depreciation Expense for Transmission Plant in Service as defined at 10. above, and C is the Transmission Investment Base as defined in A.1.a above.

(c) State Income Tax shall equal

$$\frac{(A + [B/C] + \text{Federal Income Tax}) \times \text{State Income Tax Rate}}{(1 - \text{State Income Tax Rate})}$$

Where A is the sum of the preferred stock component and the return on equity component as determined in A.2.(a)(ii) and A.2.(a)(iii) above, B is the Equity AFUDC component of ~~Transmission~~ Depreciation Expense for Transmission Plant in Service as defined at 10. above, and C is the Transmission Investment Base as defined in A.1.a above.

- B. Transmission Related Depreciation Expense shall equal the sum of: (i) Depreciation Expense for Transmission Plant in Service, plus (ii) the product of Electric General Plant Depreciation Expense multiplied by the Transmission Wages and Salaries Allocation Factor plus (iii) Common General Plant Depreciation Expense multiplied by the Electric Wages and Salaries Allocation Factor, further multiplied by the Transmission Wages and Salaries Allocation Factor.
- C. Transmission Related Amortization of Loss on Reacquired Debt shall equal the Amortization of Loss on Reacquired Debt multiplied by the Electric Wages and Salaries Allocation Factor and further multiplied by the Transmission Plant Allocation Factor.

- D. Transmission Related Real Estate Tax Expense shall equal the electric Real Estate Tax Expenses multiplied by the Transmission Plant Allocation Factor.
- E. Transmission Related Amortization of Investment Tax Credits shall equal the product of Amortization of Investment Tax Credits multiplied by the Transmission Plant Allocation Factor.
- F. Transmission Operation and Maintenance Expense shall equal the Transmission Operation and Maintenance Expense.
- G. Transmission Related Administrative and General Expenses shall equal the product of electric Administrative and General Expenses multiplied by the Transmission Wages and Salaries Allocation Factor.
- H. Transmission Related Payroll Tax Expense shall equal the product of electric Payroll Taxes multiplied by the Transmission Wages and Salaries Allocation Factor.
- I. Billing Adjustments shall be plus or minus any billing adjustments from the prior transmission billing periods. Billing adjustments shall include, but not be limited to, corrections to any value included in the TSC rate, including adjustments to the BU components due to metering errors or true-ups. Such adjustments may be corrected prospectively. However, if the error is substantial, or affects an individual Customer, NMPC reserves the right to credit and rebill customers for each affected billing month in which the error occurred.

- J. Transmission Related Bad Debt Expense shall equal Transmission Related Bad Debt Expense as defined at 28 above.
- K. Revenue Credits shall equal all Transmission revenue recorded in FERC account 456 excluding any NMPC revenues already reflected in the WR, CRR, SR, ECR and Reserved components in Attachment H of the NYISO TSC rate and excluding any revenues associated with expenses that have been excluded from NMPC's revenue requirement.

The Annual Transmission Carrying Charge shall be the Annual Transmission Revenue Requirement as determined per this Section 9, the sum of Component RR Sections (A) through (J) above, divided by the year-end balance of the total transmission plant investment in service determined in accordance (A).1.(a) above. The Annual Revenue Requirement for specific charges related to transmission service under the NYISO tariff, not already provided under this Transmission Service Charge (TSC), shall be determined by multiplying the year-end Gross Plant Investment associated with the specific transmission investment for that transmission service and the average Annual Transmission Carrying Charge.

Formula rate inputs for rate of return on common equity, depreciation rates, and Post Employment Benefits Other than Pensions (PBOP) shall be stated values until changed pursuant to an FPA Section 205 or 206 filing made effective by the Commission. An application under Section 205 or 206 to modify stated values for depreciation rates or PBOP expenses under the formula rate shall not open review of other components of the formula rate.

Calculation of CCC

CCC shall equal the annualized sum of NMPC's monthly Scheduling, System Control and Dispatch Costs (i.e., the transmission component of control center costs) charges from the New York Independent System Operator as recorded in FERC sub-accounts 561 and 561.2.

Calculation of BU

BU shall initially equal the annualized sum of NMPC's estimated Corporate Load. NMPC's Corporate Load is defined as the sum of all NYISO defined NMPC subzones plus (i) historically based estimates for NMPC's load modifiers, less (ii) estimated NYPA Municipal Loads, and less (iii) estimated NYMPA Loads. The Corporate Load will be further reduced by the mostly currently available NYISO monthly data for station power loads and station service loads.

Once the NYISO load data is available for a month, that month's TSC calculation will be recalculated with BU defined as the annualized sum of the total load for NMPC and ESCO's plus loads for the Power for Jobs, Replacement, Expansion and Economic Development NYPA programs. The resulting true-up adjustment will be treated as a Billing Adjustment per ¶1 above.