

131 FERC ¶ 61,079
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

April 29, 2010

In Reply Refer To:
National Grid
Docket No. AC10-50-000

National Grid
Attn: Terry Schwennesen, Counsel
40 Sylvan Road
Waltham MA 02451

Dear Ms. Schwennesen:

1. This is in response to your request dated February 10, 2010 on behalf of several National Grid subsidiaries¹ requesting waiver of FERC Form No. 1 (Form No. 1) reporting requirements under the rules established by the Commission's Order No. 715.² As discussed more fully below, the requests for waiver are dismissed based on the facts reported.
2. Notice of this filing was published in the *Federal Register*, with protests or interventions due on or before March 10, 2010. No interventions or protests were filed.
3. Order No. 715, established several new and revised reporting requirements for Form No. 1. One of the new requirements was the addition of a new schedule that

¹ New England Power Company ("NEP"); Niagara Mohawk Power Corporation ("NIMO"), both d/b/a National Grid; on behalf of its affiliates, New England Electric Transmission Corporation ("NEET"), New England Hydro-Transmission Electric Company, Inc. ("Mass Hydro") and New England Hydro-Transmission Corporation ("NH Hydro")(together, the "Hydro Companies") See National Grid's *Request for Waiver of FERC Form No. 1 Reporting Requirements under Order No. 715*, Docket No. AC10-50-000 (Feb. 10, 2010). On March 11, 2010, in response to Commission staff inquiry, National Grid provided copies of the rate schedules that are specified in its filing.

² *Revisions to Forms, Statements and Reporting Requirements for Electric Utilities and Licensees*, Order No. 715, FERC Stats. & Regs. ¶ 31,277 (2008).

requires disclosing information on formula rates.³ National Grid seeks waiver of certain Commission reporting requirements for this page. National Grid seeks waiver for (1) two formula rates whose charges are based on monthly costs; and (2) four rate schedules that feature operations and maintenance expenses that are escalated annually. National Grid's requests are discussed below.

4. Your letter describes two situations where formula rate charges are based on actual monthly costs. In the first situation, NEP provides the Local Network Service ("LNS") under Schedule 21-NEP of the ISO Tariff pursuant to a formula transmission rate calculated based on actual monthly costs as established pursuant to a settlement accepted by the Commission in Docket No. OA96-74-000. In the second situation, you indicate there are three separate Support Agreements applicable to each of the Hydro Companies.⁴ The capacity of the HVDC Interconnection⁵ was fully subscribed to participating electric utilities and municipal electric systems in New England that have exclusive rights to use their respective assignments of the capacity over the Interconnection. In this regard, these entities, often referred to as "Interconnection Right Holders" or "IRH", support the Hydro Companies' costs of ownership and operation of the HVDC Interconnection in exchange for these capacity rights. Support payments to the Hydro Companies under the Support Agreements are determined using formula transmission rates whose charges reflect the actual monthly costs of the Hydro Companies.

5. National Grid identifies two kinds of rate schedules where charges escalate annually. In one situation, the terms of the agreements call for payment of ongoing operating and maintenance (O&M) costs, with a baseline O&M expense specified in the agreement that is to be escalated annually by inflation as determined by publicly available inflation indices that are identified in the agreements. In another situation, the terms of the agreements call for payment of ongoing O&M costs, with a baseline O&M expense specified in the agreement and escalating the O&M charge annually by escalation factors that are specified in the agreement itself (for example, 3 percent). You state that the manner in which the charge is determined is transparent and can be

³ *Id.* P 45 (adding page 106, *Information on Formula Rates*, to Form No. 1).

⁴ New England Electric Transmission Corporation ("NEET"), New England Hydro-Transmission Electric Company, Inc. ("Mass Hydro") and New England Hydro-Transmission Corporation ("NH Hydro")(together, the "Hydro Companies"). NEET is a wholly-owned subsidiary of National Grid, while National Grid owns 53.7 percent of the common stock of both Mass Hydro and NH Hydro.

⁵ The Hydro Companies were formed as single purpose entities to build, own, and operate Phase I and Phase II of a high voltage direct current interconnection between the electric systems of Hydro-Québec and New England (the "HVDC Interconnection").

independently verified by customers taking service under the agreements, thus reporting this information in the Form No. 1 would be unnecessary.

6. Order No. 715, Paragraph 34 states:

[W]ith regard to formula rates for which no informational filings are required to be regularly submitted to this Commission, we revise the Form 1 to require that, if the formula rate relies on Form 1 data and if the input amounts to that formula rate differ from what is shown in the Form 1, the filer must provide a narrative explaining the reason for the difference. The explanation must be provided in a footnote on the same page, line and column where the specific data is reported.⁶

7. Based on the information provided, the formula rates described above featuring charges calculated monthly provide for cost of service, based on the Commission's Uniform System of Accounts. Thus, when the monthly actual costs are added together the amounts, when aggregated over a year, should equal the amounts reported in the Form No. 1. Since the monthly input amounts to the formula rates rely on the same Uniform System of Account data that are reported in the Form No. 1, we do not agree with the interpretation that the monthly formula rates do not rely on Form No. 1 data.

8. However, we note that National Grid has not identified any instance where the rates differ from the Form No. 1 data. Therefore, if the monthly formula rate inputs add up to the annual amounts reported in Form No. 1, the footnote requirement on Page 106 would not apply. Accordingly, we dismiss the request for waiver. Should the sum of the monthly data inputs over the course of a year differ from the annual amount reported in the Form No. 1, National Grid should provide an explanation for the difference in a footnote, consistent with Order No. 715. In addition, National Grid must report the other formula rate information on Page 106, as provided in Order No. 715 and by the Form No. 1.⁷

9. In the case of the rate schedules and agreements where specified baseline operating and maintenance costs are escalated annually, we dismiss the request for waiver, because, based on the information provided, the formula rate inputs are not based on Form 1 data (except possibly in year one of the agreement). Instead these formula rates are based on annual escalations using either publicly available indices or specified

⁶ Order No. 715, FERC Stats. & Regs. ¶ 31,277 at P 34.

⁷ *Id.* P 45.

percentages identified in the agreements. Since the formula rate inputs are not based on Form 1 data, they do not fall within the circumstances described by Order No. 715, Paragraph 34, and no footnoting requirement arises, and waiver is not necessary. Should circumstances change, such as through a change in a rate schedule or agreement, National Grid is required to provide footnotes where the inputs are based on Form No. 1 data and they differ from the data provided in Form No. 1. While we do not find a current requirement for footnote disclosure for these items, National Grid must report the other formula rate information on Page 106, as provided in Order No. 715 and by the Form No. 1.

By direction of the Commission.

Kimberly D. Bose,
Secretary.