

STATE OF NEW YORK DEPARTMENT OF PUBLIC SERVICE

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PUBLIC SERVICE COMMISSION

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Secretary

March 7, 2005

Honorable Magalie R. Salas, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Room 1-A209
Washington, D.C. 20426

Re: Docket No. ER05-572-000 - Niagara Mohawk Power Corporation

Dear Secretary Salas:

For filing, please find the Notice of Intervention and Comments of the New York State Public Service Commission in the above-entitled proceedings. Should you have any questions, please feel free to contact me at (518) 473-8178.

Very truly yours,

David G. Drexler
Assistant Counsel

Attachment

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Niagara Mohawk Power Corporation) Docket No. ER05-572-000

**NOTICE OF INTERVENTION AND COMMENTS OF THE
PUBLIC SERVICE COMMISSION OF THE STATE OF NEW YORK**

The New York State Public Service Commission (NYPSC) hereby submits its Notice of Intervention and Comments pursuant to the Notice of Filing issued on February 18, 2005, and Rule 214 of the Federal Energy Regulatory Commission's (FERC or Commission) Rules of Practice and Procedure. Copies of all correspondence and pleadings should be addressed to:

Dawn Jablonski Ryman, General Counsel Public Service Commission of the State of New York Three Empire State Plaza Albany, New York 12223-1350	Diane Barney, Power System Operation Specialist New York State Department of Public Service Three Empire State Plaza Albany, New York 12223-1350
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INTRODUCTION

On February 14, 2005, Niagara Mohawk Power Corporation (Niagara Mohawk), the Villages of Lake Placid and Tupper Lake (Villages), and the New York Power Authority (NYPA) (collectively "Parties") filed an "Agreement" with the Federal Energy Regulatory Commission (FERC or Commission) that addresses short-term and long-term solutions for providing reliable

electric service to the Villages (Agreement). The Agreement sets forth the respective roles and responsibilities of the Parties to address reliability concerns due to insufficient generation and transmission capacity in the cold winter months.

DISCUSSION AND CONCLUSION

The NYPSC supports adoption of the Agreement, which is the result of lengthy negotiations and significant compromises among the Parties to find solutions that satisfy their interests and the interests of the State of New York. The Agreement puts forth a workable plan for addressing reliability concerns, both in the short-term and long-term, caused by insufficient generation and transmission capacity in the cold winter months in the Villages.

The Parties have fashioned a balanced solution by sharing costs, and incorporating distributed generation, demand side reductions and installation of necessary upgrades into the Agreement. Under the Agreement, NYPA and the Villages will be responsible for meeting excess demand with additional generation, demand reductions, or some combination of the two in the short-term.¹ NYPA has agreed to perform energy audits of the Villages, examine potential sites for placement of fuel cells, and install 3 MWs of temporary distributed generation.

¹ Agreement at 2.

Moreover, the Parties have agreed to meet regularly and adopt a service reliability plan for the upcoming winter period.²

For the long-term, the agreement also provides that two Static Var Compensators and a new 46 kV line (collectively "Project Upgrades") will be built by Niagara Mohawk and owned by NYPA until the transfer date, at which time title to the line will be transferred to Niagara Mohawk.³ Financing for the Project Upgrades will be shared among the Parties, with the Villages contributing a significant percentage of the costs. While the actual costs of the new 46 kV line will, of course, depend on the ultimate siting requirements, the Agreement provides a reasonable approach to apportioning the costs.

In sum, we have worked closely with the parties to frame this Agreement, which is in the public interest, given that it fairly apportions cost responsibilities and, most importantly, satisfactorily addresses the required facility upgrades necessary to ensure reliability. We commend the parties for working cooperatively to settle their issues. Accordingly, FERC

² Id.

³ Id. at 3.

should approve the Agreement in a timely fashion to enable the Parties in moving expeditiously toward meeting peak conditions.

Respectfully submitted,

Dawn Jablonski Ryman
General Counsel

By: David G. Drexler
Assistant Counsel
Public Service Commission
of the State of New York
3 Empire State Plaza
Albany, NY 12223-1305
(518) 473-8178

Dated: March 7, 2005
Albany, New York

CERTIFICATE OF SERVICE

I, Tammy Mentis, do hereby certify that I will serve on March 7, 2005 the foregoing Notice of Intervention and Comments of the Public Service Commission of the State of New York by depositing a copy thereof, first class postage prepaid, in the United States mail, properly addressed to each of the parties of record, indicated on the official service list compiled by the Secretary in this proceeding.

Date: March 7, 2005
Albany, New York

Tammy Mentis