

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

- CASE 12-T-0502 - Proceeding on Motion of the Commission to Examine Alternating Current Transmission Upgrades.
- CASE 13-E-0488 - In the Matter of Alternating Current Transmission Upgrades - Comparative Proceeding.
- CASE 13-T-0454 - Application of North America Transmission Corporation and North America Transmission, LLC for a Certificate of Environmental Compatibility and Public Need Pursuant to Article VII of the Public Service Law for an Alternating Current Transmission Upgrade Project Consisting of an Edic to Fraser 345 kV Transmission Line and a New Scotland to Leeds to Pleasant Valley 345 kV Transmission Line.
- CASE 13-T-0455 - Part A Application of NextEra Energy Transmission New York, Inc. for a Certificate of Environmental Compatibility and Public Need Pursuant to Article VII of the Public Service Law for the Marcy to Pleasant Valley Project.
- CASE 13-T-0456 - The Part A Application of NextEra Energy Transmission New York, Inc. for a Certificate of Environmental Compatibility and Public Need Pursuant to Article VII for the Oakdale to Fraser Project.
- CASE 13-M-0457 - Application of New York Transmission Owners Pursuant to Article VII for Authority to Construct and Operate Electric Transmission Facilities in Multiple Counties in New York State.
- CASE 13-T-0461 - Application of Boundless Energy NE, LLC for a Certificate of Environmental Compatibility and Public Need Pursuant to Article VII for Leeds Path West Project.

NOTICE SEEKING COMMENT ON
ATTACHED ADVISORY STAFF RECOMMENDATIONS

(Issued August 13, 2014)

TAKE NOTICE that the Public Service Commission (Commission) seeks comment on the attached Advisory Staff Recommendations dated August 13, 2014. Parties to the above-referenced cases have requested clarification of the process the Commission will use to determine which project or portfolio of projects best satisfies the goals of the proceedings. Parties have also asked how these cases will be coordinated with the Public Policy Planning Process administered by the New York Independent System Operator, Inc. Finally, parties have expressed views about and sought clarity on the cost recovery, cost allocation, and risk-sharing proposals that were issued in July of 2013 (Straw Proposal) and remain pending before the Commission.

After considering the questions and comments made in the course of these proceedings, Advisory Staff to the Commission has developed a procedural proposal for managing the process and providing clarity to the applicants and other interested parties. Advisory Staff has also made recommendations on cost recovery, cost allocation, and risk-sharing issues.

Comments on the procedural proposal and the recommendations on cost recovery, cost allocation, and risk-sharing issues set forth in the attached Advisory Staff Recommendations shall be filed with the Secretary on or before August 29, 2014. Interested parties are asked to submit their comments electronically by e-filing through the Department's Document and Matter Management System (DMM),¹ or by e-mail to the Secretary at secretary@dps.ny.gov, on or before the deadline. Reply comments, if any, may be filed on or before

¹ Why Register with DMM,

[http://www.dps.ny.gov/DMM Registration.html](http://www.dps.ny.gov/DMM%20Registration.html); How to Register with DMM, <http://www.dps.ny.gov/e-file/registration.html>

CASE 12-T-0502, et al.

September 12, 2014. Parties unable to file electronically may mail or deliver their comments to Hon. Kathleen H. Burgess, Secretary to the New York State Public Service Commission, Three Empire State Plaza, Albany, New York, 12223-1350. The comments should be submitted in the cases listed in the caption of this notice and should reference the listed case numbers. All comments submitted to the Secretary will be posted on the Commission's Web site and become part of the official case record.

KATHLEEN H. BURGESS
Secretary

Attachment

STATE OF NEW YORK
DEPARTMENT OF PUBLIC SERVICE

- CASE 12-T-0502 - Proceeding on Motion of the Commission to Examine Alternating Current Transmission Upgrades.
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ADVISORY STAFF RECOMMENDATIONS

(August 13, 2014)

PART 1 - PROCEDURAL PROPOSAL

In the order instituting Case 12-T-0502, the Commission explained that constraints on the State's electric transmission system can lead to significant congestion that contributes to higher energy costs and reliability concerns.² It found that upgrading the system to reduce such congestion could enhance system flexibility and efficiency, reduce environmental and health impacts associated with electricity production, increase supply diversity, promote lower cost generation in upstate areas, and mitigate potential problems arising from generator retirements. The Commission noted, in particular, that the then recently-released New York Energy Highway Blueprint recommended system upgrades capable of providing approximately 1,000 MW of additional transmission capacity between upstate and downstate.

Identifying a project or portfolio that will satisfy the AC Transmission proceeding objectives requires the Commission to make two different determinations. One, the Commission must decide what facilities will best achieve the multiple benefits of adding significant transmission capability between upstate and downstate New York, as described in the Commission's orders. Two, the Commission must determine which project or portfolio of projects should receive a certificate to construct pursuant to Article VII of the Public Service Law. Advisory Staff recommends that the next procedure in these cases should include the creation of a record on which the Commission can make the first of those determinations. With the benefit of that record, the Commission can then determine which project or portfolio should continue in the Article VII process. A table of milestones and deadlines is attached as Appendix A.

To accomplish the first step, Advisory Staff recommends that the Commission require applicants to offer their existing proposals, revisions to those proposals, or any alternatives developed in response to the Commission's February 2014 Order for a comparative evaluation.³ Using a comment process with specific inputs described below, the Commission

² Case 12-T-0502, Examination of Alternating Current Transmission Upgrades, Order Instituting Proceeding (issued November 30, 2012).

³ Cases 12-T-0502 et al., Examination of Alternating Current Transmission Upgrades, Order Authorizing Modification of the Process to Allow for Consideration of Alternative Proposals (issued February 21, 2014) (February 2014 Order).

would assess how well these submissions (an individual project or a proposed portfolio of projects) meet the Commission's goals by evaluating them against the following criteria: (1) the amount of increased transfer capability that each proposal offers; (2) the cost of the proposal(s) to ratepayers; (3) electric system impacts, emissions reductions, and production cost impacts, measured in terms of overall changes to the generation dispatch; (4) the extent of any additional rights of way that the applicant(s) will need to acquire in order to build and operate the proposed facility(ies); (5) the application of innovative technologies to enhance transfer capability or reduce the physical footprint of the project; and (6) an initial assessment of environmental compatibility, including visual impacts.

To assist the Commission, Department of Public Service (DPS) would request that the New York Independent System Operator, Inc. (NYISO) perform studies to evaluate the submissions using the first, second, and third criteria. The NYISO would conduct those studies in accordance with the procedures and assumptions that it employs when conducting similar investigations pursuant to its tariffs and providing advice to the Commission. Specifically, DPS would request that the NYISO perform the same type of analysis as it conducted on the Statement of Intent projects and the projects submitted in October 2013 as Part A filings;⁴ basically, a determination as to what level of increased transfer capability is achieved at the Upstate New York (UPNY)-Southeast New York (SENY) interface and that transfers across Central East/Total East do not deteriorate system operations. DPS would also ask NYISO to verify each project's cost to ratepayers, contribution to emissions reduction, and production cost savings using General Electric Multi-Area Production Simulation (GE MAPS) modeling. To facilitate the timely completion of the studies, the NYISO would file a list of the modeling data that it will need from the applicants and all applicants would comply promptly with the NYISO's data requirements.

Applicants who elect to continue the process would file the information specified in Appendices B and C to this proposal for the project or portfolio of projects they would like the Commission to consider. Advisory Staff recommends a

⁴ Case 12-T-0502, Examination of Alternating Current Transmission Upgrades, Order Establishing Procedures for Joint Review under Article VII of the Public Service Law and Approving Rule Changes, (issued April 22, 2013), pp. 8-9 [identifying the Part A filing requirements].

deadline of November 14, 2014 for the Appendix B submissions, and January 19, 2015 for the Appendix C submissions.

Trial Staff would then rank the proposals in terms of their relative contribution to transfer capability, cost to ratepayers, emissions reductions, and impacts on production costs, as identified by the NYISO, their integration of innovative technology, their mitigation of impact to affected landowners, and their environmental compatibility including visual impacts. An analysis of any alternative risk sharing proposals would be used in assigning a cost to the potential for cost overruns. Trial Staff would submit this information to the Commission in the form of a report and motion, upon which all parties will have the opportunity to respond and comment. The report and motion would summarize the factual record on which the Commission can determine which project or combination of projects will best achieve the Commission's objectives among those offered. The report portion would contain Trial Staff's assessment and ranking of the proposals in accordance with the criteria specified above. The motion portion of the document would contain Trial Staff's proposal as to which projects should proceed, with an expectation as to public policy benefit and cost recovery, and which projects should proceed on their own, if desired, without any such expectations. The report, motion, and responses would be certified directly to the Commission for action. At the time of considering the report and motion, the Commission would also consider whether it should request one or more of the applicants to propose their projects to the NYISO as potential transmission solutions to a transmission need driven by Public Policy Requirements. It is recommended that the individual Article VII cases would thereafter proceed before the assigned Administrative Law Judges under the Commission's existing regulations.

During this phase of the cases, intervenors will be able to file comments on the applicant's submissions and to respond to the Trial Staff report and motion, but the use of awarded intervenor funding in these processes should be minimized so as to conserve the use of such funding to the individual Article VII processes that will follow this comparative phase.

Federal Energy Regulatory Commission (FERC)
Order No. 1000 and Coordination with the NYISO

The Straw Proposal issued on July 10, 2013 in Case 12-T-0502 (Straw Proposal) recognized that several parties were interested in pursuing cost recovery and cost allocation through

the NYISO's public policy planning process directed under FERC Order No. 1000. At the time, the NYISO tariff provisions implementing the public policy planning process had not been fully approved by FERC. The Straw Proposal attempted to address some of the uncertainty surrounding the NYISO process by proposing that the Commission make a public policy determination that would provide one of the prerequisites to cost recovery under the NYISO tariff. Since then, the NYISO made a compliance filing with modifications to its original filing, and on July 17, 2014, FERC issued an order accepting the NYISO's compliance filing, subject to a further future compliance filing.⁵

Advisory Staff does not believe that the NYISO's need to submit a further compliance filing should delay moving forward on further progress in these proceedings. Similarly, despite the need to further refine its tariff, on August 1, 2014, the NYISO commenced its public policy planning process by soliciting filings by parties proposing transmission needs believed to be driven by Public Policy Requirements (PPR).

Advisory Staff recommends that the Commission coordinate the comparative evaluation phase of these proceedings with the NYISO public policy planning process so as to potentially afford applicants, which ultimately are not selected to build a project, an opportunity for the recovery through FERC of costs incurred by the applicant in preparing a proposed transmission solution in response to a request by the Commission. As proposed above, at the time of considering the report and motion, the Commission would also consider whether it should request one or more of the applicants to propose their projects to the NYISO as potential transmission solutions to a Public Policy Requirement driving the need for transmission. Projects that the Commission desires to proceed beyond the comparative evaluation phase, with an expectation as to public policy benefits, can be made eligible for recovery of certain costs pursuant to a provision of the NYISO public policy planning process tariff, which reads as follows:

31.4.3.2 NYDPS/NYPSC Request for Solutions

To ensure that there will be a response to a Public Policy Transmission Need, the NYDPS/NYPSC may request the appropriate Transmission Owner(s) or Other Developer, as identified by the NYDPS/NYPSC, to

⁵ Docket Nos. ER13-102-000 et al., New York Independent System Operator, Inc., Order on Rehearing and Compliance (issued July 17, 2014).

propose a transmission solution for a Public Policy Transmission Need. Costs incurred by a Transmission Owner or Other Developer in preparing a proposed transmission solution in response to a request by the NYDPS/NYPSC will be recoverable under Section 31.5.6. [NYISO Open Access Transmission Tariff, Attachment Y, Section 31.4.3.2]

PART 2 - COST RECOVERY PROPOSAL

The Straw Proposal recommended that the Commission should provide cost recovery for Transmission Owner projects through rate base treatment of the transmission plant in the rate case of the Transmission Owner building the project; and that Independent Developers should recover their costs via either contracts or tariffs. Several stakeholders responded to the Straw Proposal by suggesting that the Commission rely on the NYISO public policy planning process for both cost recovery and cost allocation, rather than establish an alternative approach.

Recommendation:

Advisory Staff recommends that the Commission decline at this time to adopt the cost recovery mechanism described in the Straw Proposal. Advisory Staff concludes that the Federal Power Act (FPA) provides cost recovery mechanisms for transmission projects that meet policy objectives, and that a transmission developer may seek FERC rates for its project pursuant to the NYISO's tariff on transmission needs driven by Public Policy Requirements or in certain circumstances perhaps directly under Section 205 of the FPA.⁶ At this stage of the proceedings, there is no compelling reason for the Commission to pursue a State rate-based alternative cost recovery mechanism. The Commission should, in the future, consider an alternative cost recovery mechanism if FERC is unable or unwilling to provide cost recovery.

⁶ Nothing in this proposal should be interpreted as a bar to the Commission opposing cost recovery through FERC rates of projects not endorsed by the Commission as meeting transmission needs driven by Public Policy Requirements.

PART 3 - COST ALLOCATION PROPOSAL

The Straw Proposal contained a recommendation that two established NYISO methodologies be used to allocate the costs of the projects that are approved as a result of the Commission's AC transmission initiative. According to the Straw Proposal, fifty percent of project costs would be allocated to the economic beneficiaries of reduced congestion, consistent with the methodology embodied in the NYISO's Congestion Assessment and Resource Integration Study (CARIS) process. The other fifty percent of the costs would be allocated to all customers on a load-ratio share. The net result would be about 79% of the costs being allocated to customers in the downstate region and about 21% to upstate customers.

Most commenters indicated that they favored a beneficiaries-pay cost allocation methodology. At the same time, however, many of these questioned whether any of the benefits of the AC transmission initiative would accrue to upstate consumers. These parties asserted that the predominate benefit arising from an increase in transfer capability and improved operational flexibility is congestion relief, which flows primarily to downstate customers. Commenters also argued that the other benefits are more elusive, and that increased transfer capability will raise energy prices to upstate customers.

Recommendation:

Advisory Staff recommends that the two established NYISO methodologies identified in the Straw Proposal be adopted by the Commission and referred to FERC as a just and reasonable allocation of the costs of the project(s). However, Advisory Staff suggests that the 50%/50% application of the two methodologies should be adjusted to be responsive to the comments that were received and to more appropriately reflect an allocation of costs to the anticipated beneficiaries. Advisory Staff recommends that seventy-five percent of project costs be allocated to the economic beneficiaries of reduced congestion, consistent with the methodology embodied in the NYISO CARIS process. The other twenty-five percent of the costs would be allocated to all customers on a load-ratio share. The net result would be about 90% of the costs being allocated to customers in the downstate region and about 10% to upstate customers, instead of the 79%/21% split previously proposed. This revision gives greater recognition that the primary benefit of the projects will be reduced congestion into downstate load areas, but also preserves the notion that there will be some

benefits accruing to upstate customers in the form of increased reliability and reduced operational costs. Advisory Staff believes that the relevant pool of beneficiaries includes customers in both regions.

Upstate transmission owners will realize cost savings due to the increased operational and construction flexibility provided to their systems by the increased transmission transfer capability, thereby benefiting their upstate ratepayers. Strengthening the cross-state transmission "highways" will help relieve flows over parallel local transmission "byways," thereby freeing-up capability to serve local loads more efficiently. In addition, experience has shown that retirements of existing generators can result in increased local congestion and lead to both higher local energy costs and the need for local transmission upgrades. Relieving cross-state congestion will contribute to the relief of deleterious economic impacts on the upstate region due to local upstate congestion. New transmission will also enhance flexibility for the siting and retention of generation facilities upstate, including renewable resources, which would further contribute to local economic development and property tax base stability, and will also help allow for the retirement of less economical generation by reducing detrimental impacts on reliability and the need for additional transmission reinforcements at a cost to upstate ratepayers.

Because an increased transfer capability will produce some benefits other than reduced congestion into downstate load areas, one hundred percent reliance on the NYISO CARIS economic benefit model could lead to suboptimal results. A fair cost allocation should recognize these benefits and spread their costs to a broader group of customers than just those who benefit from congestion relief. Sole reliance on either a CARIS style allocation or load-ratio share alone would not satisfy the overall objective of allocating costs to all of the beneficiaries, whereas a combination of the two methodologies recognizes the value of the different types of benefits and helps spread the costs across an appropriate group of customers. As a result, Advisory Staff recommends a 75%/25% split between the two models that should result in about 90% of the costs being allocated to customers in the downstate region and about 10% to upstate customers. Advisory Staff therefore recommends that the NYISO shall file the cost allocation prescribed above as part of the Public Policy Requirement and/or that any successful developer apply this cost allocation methodology when it files at FERC for cost recovery.

PART 4 - RISK-SHARING PROPOSAL

The Straw Proposal described six risk-sharing models. Two of the models were a traditional regulation model, where ratepayers would be at risk for all costs incremental to the developer's bid price, and a fixed price contract, where the developer would be at risk for any costs incremental to its bid price. The Straw Proposal proffered several variations to these models to share the risk more equally between ratepayers and developers, such as: 1) having a firm construction bid and traditional regulation on operation and maintenance (O&M) costs and return; 2) a firm construction bid within a tolerance band; and, 3) an indexed construction bid with variable components. The Straw Proposal also put forward for comment a partial pass-through risk sharing model, which, as a variant of traditional regulation, would share cost over-runs or under-runs between ratepayers and shareholders (e.g., 80%/20%). Under this model, if actual costs came in above the bid, the developer would bear a share (20%) of the cost over-run; and if actual costs came in below the bid, the developer would retain a share (20%) of the savings. The stated intent of this approach was to provide incentives for cost control, while limiting the risk premium required by developers.

The Commission received several comments on the proposals. North American Transmission, LLC (NAT) stated that risk-mitigation proposals from sponsors can provide additional value to ratepayers, provided that an "apples-to-apples" comparison is still possible. NAT suggested that project sponsors be required to provide cost estimates for projects under traditional regulation, but also have the flexibility to provide any additional risk mitigation proposal. A risk mitigation proposal, posits NAT, could include concessionary return-on-equity, a cap on the total construction cost, a firm (indexed) construction bid, or any combination of risk mitigation proposals, including those identified in the Straw Proposal. NAT asserts that the Commission should leave to each individual sponsor the selection of what type of risk mitigation proposal to make, since different sponsors may have different risk tolerances and may be willing to mitigate risk in different ways. Restricting risk-mitigation proposals to a single approach, cautions NAT, may also limit creativity in proposals.

In their comments, the New York utilities (contemplating the formation of NY Transco) stated that the Straw Proposal's risk models unnecessarily shift unwarranted risk to the transmission developers and argued that transmission developers should be able to recover their prudently incurred

costs. The New York utilities asserted that the Straw Proposal does not recognize that if the risk of cost over-runs is shared between investors and customers, then equity returns or equity ratios will need to be higher in order for investors and bond holders to support major capital investments in new transmission projects (i.e., higher returns are required due to higher risks). The New York utilities contend that one of the key points behind the FERC's recent incentive ratemaking policies was the recognition that basic returns and other incentives were not commensurate with the risk of building and siting new transmission, even without considering the type of risk-sharing methods being proposed by the Straw Proposal. The New York utilities argue that the risk-sharing proposals seem to run counter to the whole notion that new transmission is needed and the way to get new transmission built is to either reduce investor risk or increase returns commensurate with the increased risk. They assert that the major risk in building new transmission stems from project delay and project scope increases arising from local siting approvals over which investors have very little control. The Long Island Power Authority also specifically argued that the proposed risk-allocation models should be either eliminated or modified in accordance with a recognition that risk transfer results in a need for increased returns on equity.

NextEra filed comments asserting that the risk-allocation mechanism should be established sooner rather than later, and no later than the formal submission of cost estimates. NextEra suggests that whatever risk allocation framework is ultimately adopted by the Commission should apply to all projects submitted for consideration in this proceeding, and that the risk-allocation mechanism should put the primary burden of cost overruns on the developer. NextEra stated that it is willing to operate within any risk allocation framework adopted by the Commission, assuming it is consistently applied to all applicants. NextEra urges, however, that the Commission solicit the best outcome for ratepayers by adopting the following mechanism: applicants submit a binding bid, the binding bid is used to establish the rates filed with FERC, and the binding bid, if higher than actual costs, be trued-up shortly after commercial operation.

Multiple Intervenors (MI) argues that the model chosen should share risk, including the risk of cost overruns, between project developers and customers and should apply, or at least be designated as the default option, for all developers competing in this proceeding. MI strongly opposes traditional regulation and generally favors the partial pass-through

approach. MI recommends that the risk sharing allocation fall within the following range: 75-85% of the risks allocated to customers; and 15-25% of the risks allocated to developers. Similarly, the City of New York recommends an approach that allocates a portion of the risk to the developers, but contends that consideration of its use here warrants more analysis than that reflected in the Straw Proposal. The amount at risk and the extent of the sharing, the City argues, should be set at levels that provide appropriate inducements to developers to control their costs, such as at 50% of the cost overrun or more.

Nucor recommends that the Commission refrain from adopting a generally applicable risk allocation model at this time. However, Nucor also asserts that the Commission should adopt a guiding principle that it will apply the same risk-allocation principles to competing regulated and merchant proposals in order to avoid introducing a bias to the project selection process.

Recommendation:

Advisory Staff believes that risk mitigation mechanisms can provide value to ratepayers. At the same time, there is a need to recognize the risks inherent in the development process and be mindful of FERC's policies on transmission rates. Therefore, Advisory Staff believes that a sharing model should not be contrary to FERC's incentive ratemaking approach, which is geared toward encouraging transmission infrastructure investment by addressing the substantial challenges and risks developers face. Advisory Staff also believes that consideration should be given to the substantial risk premiums that would likely arise from several of the proposed risk sharing models and ensure that those premiums do not outweigh the benefit those models were intended to afford ratepayers.

Equally important to reducing ratepayer exposure to construction cost-overruns, the risk sharing model should reduce the incentive for developers to underestimate their costs. Thus, upon consideration of the comments received, Advisory Staff recommends that the partial pass through model should be adopted to best achieve the balance required. As such, Advisory Staff recommends that the Commission require applicant bids to include risk sharing of cost over-runs or under-runs (80/20) between ratepayers and independent developers/investor-owned utility shareholders. Specifically, bids should indicate that if actual costs come in above the bid, the developer would bear 20% of the over-run; and if actual costs come in below the bid,

the developer would retain 20% of the savings. Advisory Staff believes that this requirement will allow the projects to be evaluated on the same basis, as argued by NextEra.

Advisory Staff recommends that the Commission adopt an approach whereby the NYISO shall reflect this approach to risk-sharing as part of the Public Policy Requirement and/or that any successful developer apply this approach to risk-sharing when it files at FERC for cost recovery. In particular, the 20% share of any cost overruns over the bid price for which the developer is responsible under the Commission's risk sharing model would not be compensated, and the 20% share of any cost savings below the bid price for which the developer is awarded under the Commission's risk sharing model would be compensated. In addition, as a component of this model, if the developer is seeking incentives from FERC above the base return-on-equity otherwise approved by FERC, the developer would not receive any incentives above the base return-on-equity on any cost overruns over the bid price. Applying the risk-sharing model, the bid price would cap the costs that may be proposed to FERC for incentives.

In conjunction with this recommendation, Advisory Staff would allow the initial bid price to be updated to reflect additional identifiable and verifiable and costs associated with Commission imposed modifications and mandates the cost of which were not anticipated in formulating the initial bid price to the degree that such additional costs exceed a materiality threshold of 5% above the initial bid price.

Advisory Staff also supports NAT's suggestion that applicants be allowed to submit alternative sharing proposals that reflect their risk tolerance and preferred method of risk mitigation. Advisory Staff concurs that restricting risk mitigation proposals to a single approach may limit the creativity in those proposals. Thus, Advisory Staff recommends the invitation of such alternative risk sharing proposals, at the developer's option, if they are submitted in addition to the developer's bid prepared on the partial pass-through model.

APPENDIX A

Table of Milestones and Deadlines

<u>AC Transmission Process</u>		<u>NYISO PPR Process</u>	
<u>Milestone</u>	<u>Deadline</u>	<u>Milestone</u>	<u>Deadline</u>
Deadline for Initial Comments on Advisory Staff Process Proposal	August 29, 2014		
Deadline for Reply Comments on Advisory Staff Process Proposal	September 12, 2014		
		NYISO Receives Public Policy Requirements Proposals	September 30, 2014
		NYISO Submits any Proposed Public Policy Requirements to the Commission	October 2014
Commission Decision on Advisory Staff Process Proposal	October 2014 Session*		
		SAPA Notice Published in State Register	November 2014
Deadline for Applicants to Submit Part A Data Required for NYISO Analysis at Request of DPS	November 14, 2014		
		Deadline for SAPA Comments	January 2015
Deadline for Applicants to Submit Remainder of Part A Proposals Offered for Comparative Evaluation	January 19, 2015		
NYISO Completes Part A Analyses Requested by DPS	February 6, 2015		
Deadline for DPS Trial Staff Report and Motion	March 2, 2015		

* Note: The date for any action intended to occur at a Commission Session is to be established at the discretion of the Chair.

Table of Milestones and Deadlines
(Continued)

<u>AC Transmission Process</u>		<u>NYISO PPR Process</u>	
<u>Milestone</u>	<u>Deadline</u>	<u>Milestone</u>	<u>Deadline</u>
		Commission Decision on Public Policy Requirements	March 2015 Session*
Deadline for Responses to DPS Trial Staff Report and Motion	March 23, 2015		
		NYISO Solicits Transmission Solutions	April 2015
Commission Decision on DPS Motion	April 2015 Session*	Commission Requests Winning Developers to Propose Transmission Solutions	April 2015 Session*
Comparative Phase Ends; Individual Article VII Cases Resume; Part B Scoping Process Commences	May 2015		
		NYISO Receives Transmission Solutions Proposals	June 2015
Part B Applications Submitted	To Be Determined by ALJs	NYISO Begins Review of Solutions	To Be Determined by NYISO

* Note: The date for any action intended to occur at a Commission Session is to be established at the discretion of the Chair.

APPENDIX B

Part A Data to be filed by Applicants on November 14, 2014 (Information Required for NYISO Analysis at Request of DPS)

(1) Any modeling data that the NYISO identifies that it needs from the applicants.

(2) Provide the information identified in the New York Independent System Operators Open Access Transmission Tariff Attachment Y Sections 31.4.4.1 Developer Qualification and Timing and 31.4.5.1 Project Information Requirements, as follows:

31.4.4.1 Developer Qualification and Timing

The ISO shall provide each Developer with an opportunity to demonstrate that it has or can draw upon the financial resources, technical expertise, and experience needed to develop, construct, operate, and maintain a transmission solution to a Public Policy Transmission Need. The ISO shall consider the qualification of each Developer in an evenhanded and non-discriminatory manner, treating Transmission Owners and Other Developers alike.

The ISO shall make a determination on the qualification of a Developer to propose to develop a transmission project as a transmission solution to a Public Policy Transmission Need based on the following criteria:

31.4.4.1.1 The technical and engineering qualifications and experience of the Developer relevant to the development, construction, operation and maintenance of a transmission facility, including evidence of the Developer's demonstrated capability to adhere to standardized construction, maintenance, and operating practices and to contract with third parties to develop, construct, maintain, and/or operate transmission facilities;

31.4.4.1.2 The current and expected capabilities of the Developer to finance, develop and construct a transmission facility and to operate and maintain it for the life of the facility. For purposes of this criteria, the Developer shall provide the ISO a description of transmission facilities (not to exceed ten) that the Developer has previously developed, constructed, maintained or operated and the status of those facilities, including whether the construction was completed, whether the facility entered into commercial operations, whether the facility has been suspended or terminated for any reason, and evidence demonstrating the ability of the

Developer to address and timely remedy any operational failure of the facilities; and

31.4.4.1.3 The Developer's current and expected capability to finance, or its experience in arranging financing for, transmission facilities. For purposes of the ISO's determination, the Developer shall provide the ISO:

(1) evidence of its demonstrated experience financing or arranging financing for transmission facilities, including a description of such projects (not to exceed ten) over the previous ten years, the capital costs and financial structure of such projects, a description of any financing obtained for these projects through rates approved by the Commission or a state regulatory agency, the financing closing date of such projects, and whether any of the projects are in default;

(2) its audited annual financial statements from the most recent three years and its most recent quarterly financial statement or equivalent information, if available;

(3) its credit rating from Moody's Investor Services, Standard & Poor's, or Fitch or equivalent information, if available;

(4) a description of any prior bankruptcy declarations, material defaults, dissolution, merger or acquisition by the Developer or its predecessors or subsidiaries occurring within the previous five years; and

(5) such other evidence that demonstrates its current and expected capability to finance a project to solve a Public Policy Transmission Need.

Any Developer seeking to be qualified may submit the required information, or update any previously submitted information, at any time. The ISO shall treat on a confidential basis in accordance with the requirements of its Code of Conduct in Attachment F of the ISO OATT any non-public financial qualification information that is submitted to the ISO by the Developer under Section 31.4.4.1.3 and is designated by the Developer as "Confidential Information." The ISO shall within 15 days of a Developer's submittal, notify the Developer if the information is incomplete. If the submittal is deemed incomplete, the Developer shall submit the additional information within 30 days of the ISO's request. The ISO shall notify the Developer of its qualification status within 30 days of receiving all necessary information. A Developer shall retain its qualification status for a three-

year period following the notification date; *provided, however,* that the ISO may revoke this status if it determines that there has been a material change in the Developer's qualifications and the Developer no longer meets the qualification requirements. A Developer that has been qualified shall inform the ISO within thirty days of any material change to the information it provided regarding its qualifications and shall submit to the ISO each year its most recent audited annual financial statement when available. At the conclusion of the three-year period or following the ISO's revocation of a Developer's qualification status, the Developer may re-apply for a qualification status under this section.

Any Developer determined by the ISO to be qualified under this section shall be eligible to propose a regulated transmission project as a transmission solution to a Public Policy Transmission Need and shall be eligible to use the cost allocation and cost recovery mechanism for regulated transmission projects set forth in Section 31.5 of this Attachment Y and the appropriate rate schedule for any approved project.

31.4.5.1 Project Information Requirements

Any Developer seeking to offer a transmission solution for Public Policy Transmission Needs must provide, at a minimum, the following details: (1) contact information; (2) the lead time necessary to complete the project, including, if available, the construction windows in which the Developer can perform construction and what, if any, outages may be required during these periods; (3) a description of the project, including type, size, and geographic and electrical location, as well as planning and engineering specifications as appropriate; (4) evidence of a commercially viable technology; (5) a major milestone schedule; (6) a schedule for obtaining any required permits and other certifications; (7) a demonstration of Site Control or a schedule for obtaining such control; (8) status of any contracts (other than an Interconnection Agreement) that are under negotiations or in place; (9) status of ISO interconnection studies and interconnection agreement; (10) status of equipment availability and procurement; (11) evidence of financing or ability to finance the project; (12) capital cost estimates for the project; (13) a description of permitting or other risks facing the project at the stage of project development, including evidence of the reasonableness of project cost

estimates all based on the information available at the time of the submission; and (14) any other information requested by the ISO.

A Developer shall submit the following information to indicate the status of any contracts: (i) copies of all final contracts the ISO determines are relevant to its consideration, or (ii) where one or more contracts are pending, a timeline on the status of discussions and negotiations with the relevant documents and when the negotiations are expected to be completed. The final contracts shall be submitted to the ISO when available. The ISO shall treat on a confidential basis in accordance with the requirements of its Code of Conduct in Attachment F of the ISO OATT any contract that is submitted to the ISO and is designated by the Developer as "Confidential Information."

A Developer shall submit the following information to indicate the status of any required permits: (i) copies of all final permits received that the ISO determines are relevant to its consideration, or (ii) where one or more permits are pending, the completed permit application(s) with information on what additional actions must be taken to meet the permit requirements and a timeline providing the expected timing for finalization and receipt of the final permit(s). The final permits shall be submitted to the ISO when available.

A Developer shall submit the following information, as appropriate, to indicate evidence of financing by it or any Affiliate upon which it is relying for financing: (i) evidence of self-financing or project financing through approved rates or the ability to do so, (ii) copies of all loan commitment letter(s) and signed financing contract(s), or (iii) where such financing is pending, the status of the application for any relevant financing, including a timeline providing the status of discussions and negotiations of relevant documents and when the negotiations are expected to be completed. The final contracts or approved rates shall be submitted to the ISO when available.

Failure to provide any data requested by the ISO within the timeframe provided in Section 31.4.4.3 of this Attachment Y will result in the rejection of the proposed solution from further consideration during that planning cycle.

APPENDIX C

Part A Materials to be filed by Applicants on January 19, 2015
(Remainder of proposals offered for comparative evaluation)

Part A Article VII application must include:

- a. Payment for Intervenor Fund (85-2.4):
- b. Application content (85-2.8(a), (b), (d) and (f)):
 - i. Proposed Facility (85-2.8)
 1. a description of the proposed facility,
 2. location of proposed facility or right-of-way,
 3. explanation of need for the proposed facility, and
 - ii. such other information as the applicant deems necessary or desirable.
- c. Notice of Application, newspaper publication and proof of service (85-2.10)
- d. General requirements for each exhibit (86.1)
- e. Exhibit 1: General Information Regarding Application (86.2): Two additional requirements:
 - i. applicant must include an e-mail address with applicant's contact information.
 - ii. corporate applicant must identify whether it is incorporated under the Transportation Corporation Law.
- f. Exhibit 2: Location of Facilities (86.3) (a) (1): Detailed maps, drawings and explanations showing the ROW,⁷ including GIS shapefiles of facility locations and:
 - i. NYS DOT 1:24,000 topographic edition showing:
 1. proposed ROW (indicating control points) covering an area of at least 5 miles on either side of the proposed centerline.
 2. Cross Sections of typical ROW depicting location and configuration of proposed and all existing overhead and underground facilities with typical design detail including height of structures and configuration of circuits for overhead facilities and diameter of pipe or conduit for underground facilities. geologic, historic resources listed on the state or national register of historic places, or scenic area, park, or wilderness within three miles on either side of the proposed

⁷ Aerial photo requirement (86.3(b)) shifts to Part B as long as applicant uses 2010 or newer USGS topo for 1:24,000 mapping required by 86.3(a) (1).

- centerline for an overhead facility; or within one mile of the proposed centerline for an underground or sub-aquatic segment.
- ii. (86.3) (a) (2) - NYSDOT 1:250,000 scale or other recent edition topographic maps showing the relationship of the proposed facility to the applicant's overall system, with respect to:
 - 1. the location, length and capacity of the proposed facility, and of any existing appurtenances related to the proposed facility.
 - 2. the location and function of any structure to be built on, or adjacent to, the right-of-way (including switchyards; substations; series compensation station facilities; microwave towers or other major system communications facilities; etc.)
 - 3. the location and designation of each point of connection between an existing and proposed facility, and
 - 4. nearby, crossing or connecting rights-of-way or facilities of other utilities.
- g. Exhibit 5: Design Drawings (86.6(a) and (b)): design, profile and architectural drawings and descriptions of proposed facility, including:
 - i. the length, width and height of any structure, and
 - ii. the material of construction, color and finish
- h. Exhibit 7: Local Ordinances (86.8(4)):⁸ Recent edition 1:24,000 topos with overlays showing:
 - i. zoning; and
 - ii. flood zones (include 100 year (1%) and 500 year (0.2%) flood hazard areas, and floodway locations, as available)
- i. Exhibit E-1: Description of Proposed Transmission Line (88.1(a)-(d)): detailed description of proposed line, including:
 - i. design voltage and voltage of initial operation
 - ii. type, size, number and materials of conductors
 - iii. insulator design
 - iv. length of the transmission line

⁸ Applicants are encouraged to show zoning districts as overlays on 1:24,000 scale topo maps, but may use other appropriate mapping that clearly relates the proposed facilities locations to zoning district maps.

- j. Exhibit E-4: Engineering Justification (88.4) and new section of 85-2.8 addressing compatibility of the facility with the goals and benefits to New York's ratepayers identified in the Blueprint:
 - i. summary of engineering justification for proposed line, showing its relation to applicant's existing facilities and the interconnected network, with full justification to be submitted in Part B;
 - ii. summary of anticipated benefits with respect to reliability and economy to applicant and interconnected network. Specific benefits to be submitted in Part B;
 - iii. proposed completion date, and impact on applicant's systems and of others' of failure to complete on such date;
 - iv. appropriate system studies (see SIS notice requirement below);
 - v. a general demonstration of how, and to what extent, the proposed transmission project meets the congestion relief, system reliability, reduction in regional air pollution and greenhouse gas emissions and the other benefits and objectives identified by the Commission in Case 12-T-0502; details of this demonstration shall be provided with Part B filing, along with the results of the NYISO studies required by 16 NYCRR 88.4 (a) (4);
 - k. Pre-Filed direct testimony of applicant's witnesses supporting Part A exhibits
2. Factual evidence showing how the project utilizes existing ROW and what additional land rights they will need to acquire.
 3. Information on the use of any advanced technologies that they propose to apply.
 4. Notice that the SIS/SRIS studies are in progress (study scope accepted and work underway pursuant to a Study Agreement with the NYISO); and
 5. Scoping statement and schedule: Describing how and when the applicant will produce the exhibits required for the Part B filing:

- i. Exhibit 3 (86.4): Alternatives: applicant may use recent edition topographic maps (1:24,000). If any alternative is sub aquatic, applicant should use recent edition nautical charts to show any alternative route considered.(86.4)
- ii. Exhibit 4 (86.5): Environmental Impact must include: assessment of impacts on ecological, land use, cultural and visual resources; noise analysis; coastal zone consistency (including local waterfront revitalization programs and designated inland waterway areas); efforts, if any, to minimize the emissions of greenhouse gases during the construction, operation and maintenance of the proposed facility; plans to ensure facility resilience to rising water tables, flooding, ice storms, coastal storm surges, and extreme heat.
- iii. Exhibit 6 (86.7): Economic Effects of Proposed Facility
- iv. Exhibit 7(86.8 (1), (3), (5) and (6): Local Ordinances where Facility modifications being made, including statement of consultations with municipalities and local agencies, summary table of all substantive requirements, zoning designation or classification, and list of regulatory approvals.
- v. Exhibit 8(86.9): Other Pending Filings
- vi. Exhibit 9(86.10): Cost of Proposed Facility modifications.
- vii. Exhibit E-1 (88.1(e) (f)): Facility Description
- viii. Exhibit E-2 (88.2): Other Facilities
- ix. Exhibit E-3 (88.3): Underground Construction
- x. Exhibit E-5 (88.5): Effect on Communications
- xi. Exhibit E-6 (88.6): Effect on Transportation
- a. Notice of Application and proof of notice and service (85-2.10)

Part A Initial Applications for projects that are not subject to Article VII must include:

1. Links to the full text and figures of all applications submitted to any state, local or federal agency related to the proposed project.
2. A list of the permits and approvals that the project sponsor is required to obtain for the construction and operation of the project, and a schedule for the submission of any applications or other filings not provided under item 1.
3. Where a lead agency has been identified and has made a determination of significance pursuant to SEQRA, a copy of the lead agency's determination.
4. A copy of the EAF reviewed by the lead agency in making its determination, or, if a determination has not been made, a copy of the Part 1 EAF submitted to the involved agency or agencies.
5. If the lead agency's determination of significance was positive, a schedule for the preparation and submission of a DEIS or a copy of the DEIS submitted to the lead agency.
6. If an applicant has yet to receive the lead agency's determination, a description of the status of the SEQRA review (including a proposed schedule for preparation and submission of a DEIS, assuming the determination will be positive).
7. A demonstration of how and to what extent the proposed project meets the congestion relief objectives identified by the PSC in Case 12-T-0502.
8. Factual evidence showing how the project utilizes existing ROW and what additional land rights they will need to acquire.
9. Information on the use of any advanced technologies that they propose to apply.