

10.28.15

**Case 14-E-0270 - In re R.E. Ginna Nuclear Power Plant, LLC**

Summary of Joint Proposal<sup>1</sup>

Amended Reliability Support Services Agreement (“Amended RSSA”)

Pursuant to the Joint Proposal, RG&E and Ginna agreed to amend and restate the RSSA. The general substance of the key changes included in the Amended RSSA is as follows:

- *Term* - The Term of the Amended RSSA runs from April 1, 2015 through March 31, 2017. In general, deferred collection amounts and current payments to Ginna pursuant to the Amended RSSA do not begin until FERC and the Commission issue orders accepting the Amended RSSA and the Commission approves RG&E’s cost recovery of RSSA related costs through the RSSA surcharge.
- *Early Termination; Settlement Payment* - The provision which allowed RG&E to terminate the RSSA early has been removed. RG&E will pay Ginna an approximately \$11.5 million Settlement Payment following the expiration of the RSSA on March 31, 2017.
- *Compensation* - The Monthly Fixed Amount paid by RG&E to Ginna during each month of the Term of the RSSA is \$15.42 million. RG&E will be entitled to 70% of revenues from Ginna’s sales into the New York Independent System Operator (“NYISO”) energy and capacity markets, while Ginna will be entitled to 30% of such revenues. Ginna’s Total Revenues will be capped so as not to exceed \$510 million in the aggregate. Ginna’s Total Revenues will be subject to a floor so as not to be less than \$425 million in the aggregate. Under the Amended RSSA, Ginna is no longer subject to an Annual Revenue Cap.
- *Capital Recovery Balance* - The Capital Recovery Balance is set at \$20.14 million and will be recovered over two years should Ginna continue to operate as a merchant facility after 75 days following the expiration of the RSSA term.

State Settled Matters

- *Settlement in New York* - The Joint Proposal resolves all issues among the Signatory Parties, including any issues and/or claims related to RG&E’s prudence in relation to the RSSA, including: RG&E’s participation in the evaluation of the need for, or the commercial or other terms of, the RSSA or the execution or implementation of the RSSA; RG&E’s evaluation of alternatives to the RSSA; and RG&E’s selection of the Ginna Retirement Transmission Alternative (“GRTA”) to address reliability issues related to the retirement of the Ginna facility, through the execution of the Settlement Agreement.

<sup>1</sup> The Joint Proposal was executed by and among Rochester Gas and Electric Corporation (“RG&E”), R.E. Ginna Nuclear Power Plant, LLC (“Ginna”), Staff of the New York State Department of Public Service (“Staff”), the Department of State Utility Intervention Unit, and Multiple Intervenors (collectively, the “Signatory Parties”) and was filed with New York State Public Service Commission (“Commission”) on October 21, 2015. The Signatory Parties note that this summary is being provided at Administrative Law Judge Sean Mullany’s request solely for the preparation of a notice seeking public comment.

## 10.28.15

- *RG&E Cost Recovery and Use of Credits* - The Joint Proposal recommends that the Commission authorize RG&E to implement a rate surcharge effective January 1, 2016, to recover amounts paid to Ginna under the Amended RSSA. RG&E, however, would use deferred rate credit amounts (regulatory liabilities) to offset the full amount of the Deferred Collection Amount<sup>2</sup> (including carrying costs), plus credit amounts to offset all RSSA costs that exceed \$2.25 million per month, not to exceed a total use of credits in the amount of \$110 million, applicable through June 30, 2017. The \$2.25 million per month rate surcharge will continue until the later of 1) the termination of the RSSA or 2) the termination of any solution other than operational protocols required to maintain system reliability for the period after March 31, 2017 or 3) the completion of payments from RG&E to Ginna. Upon termination of the rate surcharge and once the GRTA is placed into service, a \$1.88 million per month surcharge will continue until such time as the GRTA revenue requirement is included in RG&E's electric delivery rates. The rate surcharge will be reconciled monthly.

### Study, Solicitation and Reporting

The Joint Proposal states that RG&E must complete and publish, in coordination with the NYISO and with oversight of DPS Staff, a reliability study in accordance with standards set forth by NERC, NPCC, NYSRC and the NYISO, as well as any RG&E standards for local reliability planning criteria. The study will: 1) confirm that the GRTA, when fully implemented, will resolve any reliability needs associated with the retirement of Ginna or, to the extent such reliability needs are not fully resolved, identify and quantify the extent and timing of such unresolved needs; 2) update RG&E's peak load forecasts for use in the reliability study; 3) evaluate the degree of MW need that would still exist following the sequential implementation of various GRTA components; 4) identify the reasonable operational protocols or other measures that may be taken to mitigate the MW needs identified; and 5) establish the basis for the solicitation and evaluation of alternatives. If the reliability study identifies reliability needs for the period after March 31, 2017, then RG&E must then release a solicitation, no later than October 30, 2015, seeking solutions to meet any such needs. RG&E is required to evaluate the proposed solutions and publish a report describing such evaluation no later than 120 days following the issuance of the solicitation.

The Joint Proposal obligates RG&E to use commercially-reasonable efforts to construct and place the GRTA in-service as soon as practicable. In addition, RG&E will provide GRTA project reports to the Commission and hold monthly meetings to discuss the reports.

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<sup>2</sup> The Deferred Collection Amount is the amount that would have been owed to or by Ginna under the Amended RSSA had the agreement been accepted by April 1, 2015 for each calendar month until the day immediately prior to the Acceptance Date.