

BEFORE THE  
NEW YORK STATE  
PUBLIC SERVICE COMMISSION

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Petition Requesting Initiation of a Proceeding to :  
Examine a Proposal for Continued Operation of : Case 14-E-0270  
the R.E. Ginna Nuclear Power Plant, LLC. :

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**VERIFIED STATEMENT OF ROCHESTER GAS AND ELECTRIC CORPORATION**  
**IN SUPPORT OF JOINT PROPOSAL**

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November 19, 2015

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I. PRELIMINARY STATEMENT

On October 21, 2015, a Joint Proposal for the resolution of all issues in the above-captioned case was filed with the New York State Public Service Commission (“Commission”). The Joint Proposal was executed by and among Rochester Gas and Electric Corporation (“RG&E” or “Company”), R.E. Ginna Nuclear Power Plant, LLC (“Ginna”), the New York State Department of Public Service Staff (“Staff”), Multiple Intervenors (“MI”),<sup>1</sup> and the Utility Intervention Unit, Office of General Counsel, Department of State (“UIU” and together with RG&E, Ginna, Staff and MI, the “Signatory Parties”). In accordance with the November 3, 2015 Ruling Adopting Revised Schedule, RG&E hereby submits this Statement in Support of the Joint Proposal (“Statement”).

This proceeding was initiated on July 11, 2014 when Ginna filed a petition requesting that the Commission initiate a proceeding to examine a proposal for the continued operation of the R.E. Ginna Nuclear Power Plant (“Ginna Facility”) and asserting that the Ginna Facility’s expected revenues would not be sufficient to cover its costs of continued operation.<sup>2</sup> Ginna

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<sup>1</sup> MI is an association of approximately 60 industrial, commercial and institutional energy consumers with manufacturing and other facilities located throughout New York State, including in RG&E’s service territory.

<sup>2</sup> See Case 14-E-0270 - Petition Requesting Initiation of a Proceeding to Examine a Proposal for Continued Operation of the R.E. Ginna Nuclear Power Plant, LLC, Petition Requesting Initiation of a Proceeding to Examine a Proposal for Continued Operation of the R.E. Ginna Nuclear Power Plant, LLC (July 11, 2014).

submitted an independent Reliability Study conducted by the New York Independent System Operator (“NYISO”) with its petition which indicated that the retirement of the Ginna Facility would create a reliability need at least through October 1, 2018. The NYISO, jointly with RG&E at the request of Exelon Corporation, conducted an Additional Reliability Study (“ARS”) to evaluate the impact of the retirement of the Ginna Facility on the reliability of the New York State Transmission System for the years 2015 and 2018.<sup>3</sup>

RG&E’s analysis conducted as part of the ARS confirmed the local electric reliability need in its service territory. Specifically, the RG&E reliability study found reliability violations based on retirement of the Ginna Facility on the local non-Bulk Power Transmission Facilities (“BPTF”) system. Starting with the summer 2015 and summer 2018 cases provided by the NYISO, RG&E adjusted the Rochester area load to RG&E’s forecast levels (1857 MW for 2015 and 1955 MW for 2018). RG&E made no changes to other zonal loads or the available generation dispatch levels. RG&E then conducted a load flow analysis of the non-BPTF for pre-contingency and N-1 contingency conditions with the Ginna Facility modeled in-service and out-of-service. RG&E’s results corroborated the NYISO findings with respect to both pre-contingency and N-1 overloads of the Pannell Road 345/115 kV transformers and other 115 kV elements with the Ginna Facility out-of-service in both the 2015 and 2018 cases. RG&E also noted voltage violations in the base case and under contingency in its 34.5 kV and lower voltage systems for both study year cases.

The NYISO-RG&E joint ARS results indicated that, for the system as modeled, the retirement of the Ginna Facility would result in bulk and non-bulk reliability criteria violations in

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<sup>3</sup> Case 14-E-0270, Additional Reliability Study for Exelon Corporation – Evaluation of the Impact of the Retirement of the Ginna Nuclear Generation Station on the New York State Transmission System (July 11, 2014).

years 2015 and 2018. A mitigation solution equivalent to the impact of the full output of the Ginna Facility would be necessary to maintain reliability in the Rochester area.

On October 6, 2014, RG&E issued a Request for Proposals (“RFP”) soliciting alternatives to meet the reliability need that would result from the potential retirement of the Ginna Facility.

On November 14, 2014, the Commission issued an Order Directing Negotiation of a Reliability Support Service Agreement (“RSSA”) and Making Related Findings in which the Commission ruled that Ginna and RG&E had demonstrated that the continued operation of the Ginna Facility is required to maintain electric system reliability.<sup>4</sup> The Commission directed RG&E to negotiate an RSSA with Ginna and file it with the Commission. The Commission found that an RSSA was in the public interest and noted that the negotiations “shall conclude with the filing of an RSSA...”<sup>5</sup>

RG&E received six responses to its RFP, each of which was submitted to the Commission. RG&E also submitted its analysis of the RFP responses to the Commission on December 23, 2014,<sup>6</sup> indicating that in the short-term there are no alternatives to the RSSA. No party filed another alternative.

The Company entered into arm’s length negotiations with Ginna, which ultimately resulted in the execution of an RSSA. The executed RSSA was filed with the Commission and the Federal Energy Regulatory Commission (“FERC”) on February 13, 2015. RG&E requested that the Commission accept the RSSA without modification and approve RG&E’s

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<sup>4</sup> Case 14-E-0270, Order Directing Negotiation of a Reliability Support Service Agreement and Making Related Findings at 15 (Nov. 14, 2014) (“November 2014 Order”).

<sup>5</sup> Id. at 22, 24.

<sup>6</sup> Case 14-E-0270, Rochester Gas and Electric Corporation Solicitation Results and Other Alternatives (Dec. 23, 2014) (“RFP Report”). RG&E submitted both a confidential and public version of the RFP Report. On March 25, 2015, RG&E filed a less redacted version of the RFP Report.

implementation of a surcharge to allow for full and immediate recovery of costs incurred pursuant to the RSSA.

On March 12, 2015, the presiding Administrative Law Judges issued a Ruling on Process and Adopting Protective Order which established a comment period regarding material issues of fact requiring hearing. In response to that ruling, several parties filed comments which opposed the RSSA either in whole or in part.<sup>7</sup>

On June 4, 2015, RG&E filed a petition asking the Commission to establish a temporary rate surcharge that would begin recovery of the RSSA related costs, subject to refund, pending a final Commission decision on the February 13, 2015 RSSA petition.<sup>8</sup> In response, the Commission determined that the public interest required that a temporary surcharge be established, subject to refund.<sup>9</sup>

Consistent with the Commission's Settlement Guidelines<sup>10</sup> and Section 3.9 of the Commission's regulations,<sup>11</sup> the Company filed with the Commission and served on all parties a Notice of Impending Settlement Negotiations on May 5, 2015.<sup>12</sup> Settlement negotiations began on May 11, 2015 and continued on numerous dates both in person and via teleconference through September. The parties' settlement negotiations were successful and resulted in the filing of the Joint Proposal on October 21, 2015.

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<sup>7</sup> See e.g., Case 14-E-0270, UIU Statement of Material Issues of Fact and Hearing (Apr. 22, 2015).

<sup>8</sup> Case 14-E-0270, Petition for Temporary Rates (June 4, 2015).

<sup>9</sup> Case 14-E-0270, Order Approving Establishment of Temporary Rates (Aug. 14, 2015).

<sup>10</sup> 32 NYPSC 71; Case 90-M-0255 et al. - Proceeding on Motion of the Commission Concerning its Procedures for Settlement and Stipulation Agreements, filed in C11175, Opinion, Order and Resolution Adopting Settlement Procedures and Guidelines, Opinion 92-2 (Mar. 24, 1991) ("Settlement Guidelines").

<sup>11</sup> 16 NYCRR § 3.9.

<sup>12</sup> Case 14-E-0270, Notice of Impending Settlement Negotiations (May 5, 2015).

As discussed in the Joint Proposal, the Signatory Parties were able to agree on an amended and restated RSSA (“Amended RSSA”). Under the Joint Proposal and Amended RSSA, Ginna will continue to provide customers with RSSA reliability support through March 31, 2017. The Joint Proposal and Amended RSSA are the culmination of a lengthy and, at times, resource-intensive process wherein the Company, along with the other Signatory Parties and other parties to the proceeding (collectively, the “Parties”), spent a significant amount of time carefully examining and addressing various issues. In addition to actively participating in numerous settlement negotiations, the Parties exchanged a substantial amount of information.<sup>13</sup>

The Joint Proposal and the Amended RSSA carefully balance the interests of RG&E’s customers, the Company and other Signatory Parties and, as discussed in more detail herein, meet the Commission’s public interest standard for settlement agreements. The Joint Proposal and the Amended RSSA benefit customers in numerous ways that would not have been possible in a litigated proceeding.

First and foremost, the Joint Proposal provides RG&E’s customers with reliability support services, thereby allowing the Company to continue to provide safe and adequate service. Similar to negotiated outcomes in other rate proceedings, the Joint Proposal and the Amended RSSA are part of an integrated proposal reflecting a deliberate and careful balance of competing interests incorporated into a single comprehensive agreement. The consensus embodied in the Joint Proposal and the Amended RSSA would be undermined by a selective modification of individual provisions. Accordingly, RG&E requests that the Commission approve the Joint Proposal and the Amended RSSA in their entirety without modification.

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<sup>13</sup> For example, RG&E responded to 214 information requests.

## II. CRITERIA FOR REVIEWING SETTLEMENTS

As discussed in Section III of this Statement, the Joint Proposal clearly meets all of the Commission's criteria for settlements. In determining whether a proposed settlement is in the public interest, the Commission has consistently applied the following standard, as set forth in its Settlement Guidelines:

- A desirable settlement should strive for a balance among (a) protection of the customers; (b) fairness to investors; and (c) the long-term viability of the utility. Additionally, a settlement should be consistent with sound environmental, social and economic policies of the Agency and the State and should produce results that were within the range of reasonable results that would likely have arisen from a Commission decision in a litigated proceeding.
- In judging the settlement, the Commission shall give weight to the fact that a settlement reflects agreement by normally adversarial parties.<sup>14</sup>

The Order adopting the Settlement Guidelines enumerates the following factors<sup>15</sup> to be considered in the "substantive review" of a proposed agreement:

- The settlement's consistency with law and the regulatory, economic, social and environmental policies of the Commission and the State;
- Whether the result compares favorably with the likely result of full litigation and is within the range of reasonable outcomes;
- Whether the settlement strikes a fair balance among interests of customers and investors and the long-term soundness of the utility;
- The existence of a rational basis for decision;
- The completeness of the record; and
- Whether the settlement is contested.

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<sup>14</sup> Settlement Guidelines, Appendix B at 8.

<sup>15</sup> Settlement Guidelines at 30.

The first four of the foregoing factors, according to the Commission, are elements of the public interest standard, while the last two “simply guide [the Commission] in [its] assessment.”<sup>16</sup>

III. THE JOINT PROPOSAL SHOULD BE ADOPTED WITHOUT MODIFICATION AS IT MEETS THE COMMISSION’S SETTLEMENT STANDARD

The Joint Proposal allows for the continued operation of the Ginna Facility to provide needed reliability support for RG&E and its customers for an identified time period. The underlying purpose of the Joint Proposal is to maintain New York State power system reliability for the benefit of New York customers. Absent Commission approval of the Joint Proposal, which allows the Ginna Facility to remain online, retirement of the Ginna Facility would have significant negative impacts on system reliability in RG&E’s service territory. As the Commission noted in its November 2014 Order, there would be a negative impact on the reliability of the New York bulk electric transmission system and in the local Rochester electric distribution region if the Ginna Facility ceased operations before adequate transmission solutions are in place.<sup>17</sup> The Joint Proposal, therefore, is consistent with the New York State Public Service Law and Commission policy which require RG&E to provide safe and adequate service.

Additionally, it was reasonable for RG&E to enter into the RSSA based on the unique circumstances and the information available at the time, namely that retirement of the Ginna Facility would create a reliability need in RG&E’s service territory and an RSSA was the only available option to address such need.

The Joint Proposal is also supported by the record evidence in this proceeding and produces a result that is rational and well within the range of reasonable outcomes had the

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<sup>16</sup> Settlement Guidelines, Appendix B at 8.

<sup>17</sup> November 2014 Order at 15.

proceeding been fully litigated. Certain aspects of the Joint Proposal and the Amended RSSA reflect positions advocated by the Company, Staff, and other Signatory Parties while other aspects represent compromises among the Parties. The Joint Proposal and the Amended RSSA strike a fair balance among the interests of RG&E's customers, the Company and other Signatory Parties. For example, if adopted, the Joint Proposal would allow the Company to implement a surcharge to recover RSSA costs while at the same time authorizing usage of available customer credits to mitigate the bill impacts resulting from the RSSA costs. The Joint Proposal and Amended RSSA are the result of extensive negotiations and information sharing and are supported by Parties representing a broad range of diverse and often adversarial interests. Thus, there is a rational basis for the Joint Proposal and the Amended RSSA. Given these factors, as more fully detailed below, the Joint Proposal and Amended RSSA clearly meet the public interest standard set forth in the Commission's Settlement Guidelines and they should be adopted by the Commission in their entirety without modification.

A. Terms of the Amended RSSA (Section 2)<sup>18</sup>

Appendix A to the Joint Proposal contains the Amended RSSA.<sup>19</sup> The following paragraphs generally describe the more substantive changes to the initial RSSA.

1. Term

The term of the Amended RSSA is from April 1, 2015 through March 31, 2017. Initially, RG&E and Ginna agreed to a longer term (i.e., April 1, 2015 through September 30, 2018). Thus, the Joint Proposal significantly shortens the RSSA's term, which is a benefit to customers. The revised term of the Amended RSSA is reasonable since it more closely ties to the currently anticipated in-service date of RG&E's Ginna Retirement Transmission Alternative ("GRTA").

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<sup>18</sup> The Section references in each subheading are to the corresponding section in the Joint Proposal.

<sup>19</sup> Unless otherwise specified herein, capitalized terms here have the same meaning given in the Amended RSSA.

RG&E estimates that the GRTA in-service date is between December 2016 and June 2017. Once in service, the GRTA will adequately address the reliability need associated with the retirement of the Ginna Facility. As such, there is a rational basis to support the term of the Amended RSSA.

Several Parties contested the term of the initial RSSA and argued that there was no need for the term to run through September 2018 given the GRTA's estimated in-service date.<sup>20</sup> The Parties addressed this concern by decreasing the length of the RSSA's term by 18 months. The modified term compares favorably with the likely result of full litigation and is well within the range of reasonable outcomes for this issue as the termination date falls between the initial RSSA's termination date and the earliest estimate for the GRTA in-service date.

## 2. Early Termination; Payments Upon End of the Term

The Signatory Parties eliminated Section 2.2(c) of the initial RSSA which provided for early termination of the RSSA upon 12 months' prior written notice by RG&E. Because the length of the term was reduced, the Signatory Parties agreed that there was no longer a need for the early termination provision. Thus, the elimination of Section 2.2(c) is in the public interest and within the range of reasonable outcomes of full litigation. The Amended RSSA also provides for a one-time Settlement Payment made by RG&E to Ginna following the expiration of the RSSA on March 31, 2017 in the amount of \$11,458,030.70. This payment reflects compensation to Ginna for unrecovered costs necessarily incurred by Ginna to maintain the Ginna Facility under the Amended RSSA. Under the initially proposed RSSA term, these costs were recovered over a longer period. Given the Amended RSSA's shorter term, the one-time Settlement Payment is necessary to allow Ginna to recover these costs while still allowing

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<sup>20</sup> See e.g., Case 14-E-0270, Issues Statement of Multiple Intervenors at 8-9 (Apr. 22, 2015).

customers to obtain the benefits of the shorter term RSSA. Absent the one-time Settlement Payment, customers would not be able to obtain the greater benefits arising out of a shorter term. Therefore, a rational basis exists for the Commission to accept this provision of the Joint Proposal.

### 3. Compensation

#### a. Monthly Payments

The Amended RSSA establishes a Monthly Fixed Amount paid by RG&E to Ginna during each month of the Term of the RSSA in the amount of \$15.42 million. The monthly payments to Ginna under the Joint Proposal and Amended RSSA are reasonable for RG&E's customers and Ginna. Ginna cannot be compelled to keep the Ginna Facility available for the benefit of RG&E's customers, particularly without just compensation. The Joint Proposal and Amended RSSA provide for such compensation via, among other payments, the Monthly Fixed Amount.

Prior to executing the initial RSSA, RG&E hired an outside consultant, Concentric Energy Advisors, Inc. ("Concentric"), to assist the Company in evaluating the reasonableness of the payments required under the initial RSSA. According to Concentric, the Monthly Fixed Amount under the initial RSSA was a reasonable reflection of the average of the total of the expected RSSA monthly cost components (e.g., operations and maintenance ("O&M"), fuel amortization and return on fuel rate base, amortization on in-contract Capital Expenditures and return on unamortized Capital Expenditure balances) during the term of the RSSA.

Specifically, Concentric performed an independent review of Ginna's forecasted cost of service for the purpose of assessing Ginna's forecasted to-go costs for reasonableness and consistency with nuclear plants of a similar size, technology and age. Concentric's technical,

financial and operational analysis began with a detailed review of actual capital and O&M expenses at Ginna from 2011 through 2013 with the goal of understanding both the nature and magnitude of expenditures required to sustain high levels of operating performance. Concentric found that Exelon Generation Company, LLC (“Exelon”), an affiliate of Ginna, had delivered the benefits of its large fleet to Ginna in both operating expertise as well as financial performance with respect to capital and operating budgets. Concentric also found that the Exelon operating model generally results in Ginna finding and fixing problems at a low level before they become significant. Concentric’s review of historical costs found that the Ginna Facility is being operated in a quality manner with reasonable costs.

Concentric reviewed Ginna’s proposed costs from 2014-2018 at a level of detail that allowed Concentric to conclude that the assumptions for operating costs were soundly based on verifiable metrics/inputs. Overall, Concentric found that Ginna’s operating cost projections compare favorably with nuclear units of similar size and vintage based upon available industry data. Concentric also found that best industry practices were being used and that all of Ginna’s proposed capital projects were necessary as proposed.

In addition to capital expenditures, outage O&M expenses, non-outage O&M expenses and fuel costs, Concentric also reviewed Exelon’s forecasted administrative and general (“A&G”) expenses, costs to achieve synergies, and plant availability. In terms of A&G expenses and other allocated costs, Concentric focused on the reasonableness of those costs and whether any of the proposed costs could be considered avoidable. Based on that review, Concentric recommended a reduction in both allocated A&G costs and allocated costs to achieve synergy savings, with both recommendations being reflected in the initial and the Amended RSSA.

While Concentric's review independently verified that the monthly payments contemplated under the initial RSSA were reasonable, the Monthly Fixed Amount established by the Joint Proposal and Amended RSSA is considerably lower than the amount established in the initial RSSA of approximately \$17.5 million. The Monthly Fixed Amount is also less than Ginna's full cost of service as filed with FERC in Docket No. ER15-1047-000. As a result, there is a rational basis for adopting the Monthly Fixed Amount set forth in the Joint Proposal and Amended RSSA.

The lower Monthly Fixed Amount established by the Joint Proposal and Amended RSSA reflects a change in position by several Parties, compares favorably with the likely result of full litigation, and is within the range of reasonable outcomes. Authorizing RG&E to recover the lower Monthly Fixed Amount through the proposed RSSA surcharge also strikes a fair balance between the interests of customers and investors.

b. Sharing of Energy and Capacity Market Revenues

Under the Joint Proposal and the Amended RSSA, RG&E will be entitled to 70% of revenues from Ginna's sales into the NYISO energy and capacity market, while Ginna will be entitled to 30% of such revenues. The Amended RSSA market revenue sharing mechanism is reasonable because it provides Ginna with an increased incentive to maximize production from the Ginna Facility. Thus, a rational basis exists for the Commission to accept the market revenue sharing mechanism.

c. Settlement Cap

The Joint Proposal and Amended RSSA provide that Ginna's Total Revenues during the Term of the RSSA will be capped at \$510,000,000 ("Settlement Cap Amount").<sup>21</sup> If Ginna's Total Revenues calculated over the Term exceed the Settlement Cap Amount, Ginna must prepare and issue to RG&E an invoice not later than June 20, 2017 for, and Ginna shall make a payment to RG&E on or prior to June 30, 2017 of, an amount equal to the difference between Ginna's Total Revenues received and the Settlement Cap Amount. The Joint Proposal expressly states that any such amounts will be preserved by RG&E with carrying charges for the benefit of customers.

This provision of the Amended RSSA is in the public interest and benefits RG&E's customers because any Ginna revenues in excess of the Settlement Cap Amount are returned to RG&E customers or preserved for their benefit. As a result, customers benefit from the proposed sharing of energy and capacity market revenues.

d. Settlement Floor

The Joint Proposal and the Amended RSSA establish that Ginna's total revenues during the term of the RSSA will be subject to a floor so as not to be less than \$425 million over the term of the RSSA ("Settlement Floor Amount"). If Ginna's total revenues calculated over the term of the RSSA are less than the Settlement Floor Amount, Ginna shall prepare and issue to RG&E an invoice not later than June 20, 2017 for, and RG&E shall make an additional payment to Ginna on or prior to June 30, 2017 of, an amount equal to the difference between Ginna's

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<sup>21</sup> "Total Revenues" means the sum of all revenues received by Ginna relating to ownership and operation of the Ginna Facility, including the Monthly Fixed Payments, the Deferred Collection Amount, Ginna's 30% share of any Energy Revenues, Ginna's 30% share of any Capacity Revenues, any Settlement Payment, any Default Termination Payment, and any of the Applicable Revenues that Ginna has the right to retain.

Total Revenues received and the Settlement Floor Amount.<sup>22</sup> The establishment of the Settlement Floor Amount is reasonable because it is consistent with FERC's actions in setting Ginna's going-forward costs to ensure that Ginna is adequately compensated. The Settlement Floor Amount works in conjunction with the Settlement Cap to maintain compensation levels to Ginna within a reasonable band that has a rational basis and, thus, is in the public interest.

e. Cost Recovery

Under the Joint Proposal, if the Commission or other Governmental Authority implements a rate recovery mechanism that does not allow cost recovery by RG&E through the RSSA surcharge, described below, and the Amended RSSA is not terminated, then the Monthly Fixed Amount shall be immediately reduced to the monthly amount that RG&E is authorized to recover through the RSSA surcharge on a substantially current basis, plus credits that RG&E applies to offset the costs under the RSSA. This provision<sup>22</sup> is reasonable as it protects RG&E and its customers from paying Ginna more than the amount the Commission or FERC determines is appropriate. Therefore, it is rational for the Commission to accept this provision.

4. Capital Recovery Balance

The Joint Proposal and the Amended RSSA set the Capital Recovery Balance at approximately \$20.1 million. If the Ginna Facility delivers energy to the NYISO transmission system or makes available capacity to the NYISO markets after 75 days following the end of the Amended RSSA term, Ginna will pay RG&E the Capital Recovery Balance over two years (as opposed to the six or seven years envisioned under the initial RSSA).

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<sup>22</sup> Should customer credits remain, recovery by RG&E from customers of the difference between Ginna's Total Revenues and the Settlement Floor Amount will be offset by such credits. To the extent that any such payments are not offset with customer credits, they will be deferred with carrying charges for future recovery by RG&E.

The Capital Recovery Balance reflects the value that Ginna would continue to realize from the following RSSA components if the Ginna Facility continues to operate as a merchant facility after the expiration of the RSSA: 1) unamortized in-contract capital expenditures (as of the expiration date); 2) unamortized fuel; and 3) unamortized Costs to Achieve Synergies (as of the expiration date). The Capital Recovery Balance provision is reasonable and in the public interest because, absent Amended RSSA payments by RG&E to Ginna, the Ginna Facility would have retired and would not be in a position to recommence operations years later if and when economic conditions have changed so as to make operating the Ginna Facility economic. This provision allows customers, under certain conditions, to obtain further value from their capital investment and, therefore, is in the public interest.

#### B. Settled Matters

The Joint Proposal resolves all issues among the Signatory Parties, such as any issues and/or claims related to RG&E's prudence in relation to the RSSA, including but not limited to: 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 or the Amended RSSA; RG&E's evaluation of alternatives to the RSSA or the Amended RSSA; and RG&E's selection of the GRTA to address the reliability issues related to the Ginna Facility's retirement through the execution date of the Joint Proposal. Given that these were contested issues, the Joint Proposal avoids future disagreement and potentially extensive and costly litigation.

#### C. RG&E Cost Recovery and Use of Credits

Pursuant to the Joint Proposal, RG&E would implement a rate surcharge ("RSSA surcharge") effective January 1, 2016 to recover amounts paid to Ginna pursuant to the Amended RSSA. RG&E, however, would use deferred rate credit amounts (regulatory liabilities) to offset the full amount of the Deferred Collection Amount (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. To the extent that the available credits are insufficient to satisfy the final payment from RG&E to Ginna, then the RSSA surcharge would continue past March 31, 2017 to recover up to \$2.25 million per month until the final payment has been recovered by RG&E from customers. Upon termination of the RSSA surcharge and once the GRTA is placed into service, a \$1.88 million per month surcharge (representing the estimated GRTA first year annual revenue requirement divided by 12) will continue until such time as the GRTA revenue requirement is included in RG&E's base electric delivery rates.<sup>23</sup> Under the Joint Proposal, costs recovered through the RSSA surcharge would be allocated to the classes using the transmission allocator in the most recently concluded RG&E electric rate case and would be collected on a per kWh basis from non-demand metered customers and on a per kW basis from demand metered customers.

The use of customer credits to offset RSSA costs was a matter of contention among the Signatory Parties. Staff, UIU and MI all proposed using some or all of RG&E's regulatory liabilities to offset the Amended RSSA's costs. RG&E, however, strongly opposed the use of its credits in this manner, instead arguing that the credits should be addressed in the context of its pending electric rate case (Case 15-E-0285). RG&E opposed the use of regulatory liabilities in this proceeding given the resultant negative impacts on RG&E's cash flows and because doing so would limit RG&E's ability to moderate rates in its pending electric rate case. The Joint Proposal's use of a majority of RG&E's regulatory liabilities on an accelerated basis therefore

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<sup>23</sup> If the GRTA revenue requirement is collected through the RSSA surcharge, RG&E's GRTA capital investment will be subject to a GRTA revenue requirement downward reconciliation. If the GRTA revenue requirement is included in RG&E's electric delivery rates, then the RSSA surcharge will be utilized for reconciliation of any over / under collected amounts of RSSA costs or downward reconciliation of GRTA investment costs or amounts associated with collection of the GRTA revenue requirement prior to their inclusion in RG&E's electric delivery rates and will cease once such return / collection is completed.

represents a significant compromise on the part of RG&E, compares favorably with the likely result of full litigation, and is well within the range of reasonable outcomes.

The RSSA's cost recovery provisions, including the use of RG&E's credits, strikes a fair balance among the interests of the Company and its customers. The use of RG&E's credits in this proceeding will mitigate the rate increase that RG&E's customers would otherwise experience. However, while the Joint Proposal would utilize a majority of RG&E's regulatory liabilities on an accelerated basis, a small balance would remain. Given that the use of RG&E's rate credits in this proceeding will lessen the bill impacts on RG&E's customers, there is a rational basis for the Commission to accept the Joint Proposal's cost recovery provisions.

D. Reliability Study and GRTA Planning Status (Under Construction and In-Service)

The Joint Proposal requires RG&E to complete a reliability study. Specifically, the Joint Proposal states that RG&E must complete and publish, in coordination with the NYISO and with Staff's oversight, a reliability study in accordance with standards set forth by the North American Electric Reliability Corporation, the Northeast Power Coordinating Council, Inc., the New York State Reliability Council, L.L.C. and the NYISO, as well as any RG&E standards for local reliability planning criteria.<sup>24</sup> The purpose of the study is to: 1) confirm that the GRTA, when fully implemented, will resolve any reliability needs associated with the retirement of the Ginna Facility 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

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<sup>24</sup> The study has been completed and was filed with the Commission on November 10, 2015.

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, RG&E must release a solicitation seeking solutions to meet any such needs.<sup>25</sup> Proposed solutions must be submitted no later than 60 days following the issuance of the solicitation. 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.

There is a rational basis for the Commission to adopt the provisions of the Joint Proposal that require RG&E to undertake a reliability study because such a study is in the public interest. By requiring RG&E to complete a reliability study, the Joint Proposal ensures that RG&E will have available critical information that will position it to be able to continue to meet reliability needs with customers continuing to receive safe and adequate service.

#### E. Reporting Requirements

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, no later than 15 days following regulatory approval of both the FERC Settlement Agreement and the Joint Proposal, RG&E must begin providing GRTA project reports, including an Executive Management report identifying project leads and an Initial Report to the Commission reflecting the GRTA budget and construction milestones. Thereafter, RG&E will provide monthly reports to the Commission that will provide GRTA status updates and will hold standing monthly meetings to discuss the monthly reports. The reporting requirements are in the public interest because they provide greater transparency with respect to the Company's actions.

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<sup>25</sup> RG&E sent an RFP to qualified and experienced developers on October 30, 2015. A copy of the RFP was filed with the Commission on November 2, 2015.

#### IV. CONCLUSION

The Joint Proposal represents a comprehensive, integrated settlement of all issues in this proceeding. It reflects not only recommendations and concessions from the Signatory Parties, but also represents a substantial effort to address concerns voiced by all Parties. The Joint Proposal thus represents a good-faith effort to address all interests to the greatest extent possible. Should one or more Parties criticize individual elements of the Joint Proposal and/or urge its rejection, such arguments must be measured against the many benefits of the Joint Proposal taken as a whole, particularly given that numerous compromises among normally adversarial Parties were required in order to reach agreement on the Joint Proposal and the attached Amended RSSA.

For the reasons discussed above, the Joint Proposal meets the public interest standard of the Commission's Settlement Guidelines and produces an overall reasonable balance of the often competing interests advocated by the Signatory Parties. The Joint Proposal (and attached Amended RSSA), therefore should be adopted in its entirety, without modification.

Dated: November 19, 2015

Respectfully submitted,



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*Counsel for Rochester Gas and Electric  
Corporation*

BEFORE THE  
NEW YORK STATE  
PUBLIC SERVICE COMMISSION

Petition Requesting Initiation of a Proceeding to :  
Examine a Proposal for Continued Operation of : Case 14-E-0270  
the R.E. Ginna Nuclear Power Plant, LLC. :

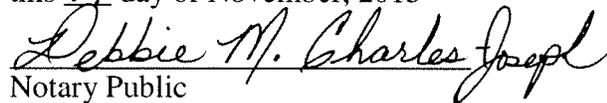
VERIFICATION

STATE OF NEW YORK )  
 ) ss.:  
COUNTY OF BROOME )

I, David J. Kimiecik, being first duly sworn, attest that I am Vice President - Energy Services for Rochester Gas and Electric Corporation ("RG&E"), and that I have authority to verify the foregoing Verified Statement in Support of Joint Proposal by RG&E. I have read the foregoing Verified Statement in Support of Joint Proposal and I affirm that the facts, representations and statements set forth therein regarding RG&E are true and correct to my knowledge, information and belief.



Sworn to and subscribed before me  
this 17 day of November, 2015

  
Notary Public

**DEBBIE M. CHARLES - JOSEPH**  
Notary Public, State of New York  
No. 01CH5016768  
Qualified in Broome County  
Commission Expires 08-21-2018

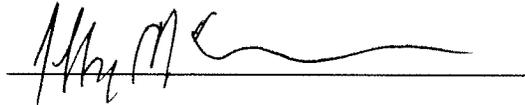
BEFORE THE  
NEW YORK STATE  
PUBLIC SERVICE COMMISSION

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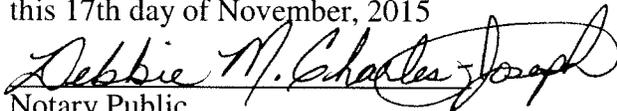
**VERIFICATION**

STATE OF NEW YORK )  
 ) ss.:  
COUNTY OF BROOME )

I, Jeffrey M. Converse, being first duly sworn, attest that I am Manager - Electric Supply for Rochester Gas and Electric Corporation ("RG&E"), and that I have authority to verify the foregoing Verified Statement in Support of Joint Proposal by RG&E. I have read the foregoing Verified Statement in Support of Joint Proposal and I affirm that the facts, representations and statements set forth therein regarding RG&E are true and correct to my knowledge, information and belief.



Sworn to and subscribed before me  
this 17th day of November, 2015

  
Notary Public

**DEBBIE M. CHARLES - JOSEPH**  
Notary Public, State of New York  
No. 01CH5016768  
Qualified in Broome County  
Commission Expires 08-21- 2018