

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Petition Requesting Initiation of a Proceeding to Examine a Proposal for Continued Operation of the R.E. Ginna Nuclear Power Plant, LLC. – Petition of Rochester Gas and Electric Corporation for a Temporary Rate Surcharge.

Case 14-E-0270

**STATEMENT OF THE
UTILITY INTERVENTION UNIT ON THE
JOINT PROPOSAL**

Michael Zimmerman
Intervenor Attorney
212-417-5005
michael.zimmerman@dos.ny.gov

Saul A. Rigberg
Intervenor Attorney
518-408-3746
saul.rigberg@dos.ny.gov

November 19, 2015
Albany, New York

NEW YORK STATE DEPARTMENT OF STATE
DIVISION OF CONSUMER PROTECTION
ONE COMMERCE PLAZA
ALBANY, NEW YORK 12231-0001

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Petition Requesting Initiation of a Proceeding to Examine a Proposal for Continued Operation of the R.E. Ginna Nuclear Power Plant, LLC. – Petition of Rochester Gas and Electric Corporation for a Temporary Rate Surcharge.

Case 14-E-0270

**STATEMENT OF THE
UTILITY INTERVENTION UNIT ON THE
JOINT PROPOSAL**

INTRODUCTION

The Utility Intervention Unit (UIU) of the New York State Department of State's Division of Consumer Protection supports the Joint Proposal (JP) filed on October 23, 2015 in the above-captioned matter. Compared to the Reliability Support Services Agreement (RSSA) between R.E. Ginna Nuclear Power Plant, LLC (Ginna) and Rochester Gas and Electric Corporation (RG&E) filed on February 13, 2015 ("Original RSSA"), the JP would significantly reduce costs to customers while continuing to safeguard system reliability.

The Original RSSA between RG&E and Ginna was unduly favorable to Ginna and unfair to customers, both in the amount of money paid to Ginna and the length of the term of the Original RSSA — a full 18 months longer than RG&E's projected in-service date of its new transmission alternative to Ginna, the Ginna Retirement Transmission Alternative (GRTA). Thus, UIU views the JP as a partial correction of procedural and substantive deficiencies that should not have arisen in the first place.

UIU believes that the revised RSSA as embodied in the JP represents the best available option which, at least partially, remedies the Original RSSA's shortcomings. The terms of the JP are significantly more favorable to customers than those contained in the

Original RSSA. The JP would shorten the duration of the RSSA from 42 months to 24 months to better align it with actual projected reliability need and reduce payment obligations to Ginna. The JP also contains provisions that would reduce customers' exposure to market volatility and employ customer credits to mitigate bill impacts. Importantly, the JP would also provide for strengthened implementation and oversight of transmission alternatives, which will decrease the chances that additional RSSAs may be needed in the future. For these reasons the UIU supports the JP.

SELECTED HIGHLIGHTS OF JOINT PROPOSAL

RSSA Duration

The JP would reduce the term of the RSSA by 18 months, relieving customers of RSSA payments to Ginna (estimated at approximately \$375 million) and avoiding market distortion during that period. A 24-month term also better aligns with the actual need for Ginna's continued operation, which is expected to continue through summer 2016. Thereafter, the GRTA is expected to eliminate reliability violations associated with Ginna's retirement.¹ This 24-month duration includes 7 months, from September 2016 through March 2017, during which continued operation of Ginna is not needed to maintain system reliability. However, because the facility's 18-month fuel cycle will require Ginna to purchase adequate fuel to operate through March 2017 and the costs of that fuel would be passed on to customers, it is logical for the revised RSSA to extend to March 31, 2017 so that customers can realize full value from their investment.

UIU notes that such a 24-month term should have been one of the outcomes of initial negotiations between RG&E and Ginna that led to the Original RSSA. At the time the Original RSSA was negotiated and executed, RG&E was already aware that the

¹ The GRTA is not projected to enter service until the spring of 2017, but because reliability violations associated with an outage of Ginna would only occur during summer months, the actual need for Ginna's continued operation will only extend through summer 2016.

reliability need for Ginna would end after summer 2016. UIU therefore views this aspect of the JP as correcting a deficiency of the Original RSSA.²

Safeguards against Extended or Subsequent RSSAs

The JP includes several provisions that advance UIU's position in favor of limiting the duration of RSSAs to the minimum term necessary.

(1) Extension Option Removed

The JP eliminates the Original RSSA's language that would have allowed RG&E and Ginna the option to extend the RSSA for an additional 18-month term without public consultation.³ The JP includes provisions that help ensure that any such subsequent RSSA would only be considered as a last resort.

(2) Updated Reliability Study

On May 12, 2014, RG&E completed a Reliability Study ("2014 Reliability Study") that indicated a need for Ginna and spurred the eventual development of the Original RSSA. The 2014 Reliability Study did not consider the GRTA, which RG&E designed later in 2014 and which is expected to significantly improve system reliability when it comes on-line in spring 2017. The JP requires RG&E to conduct a new reliability study that

² The Federal Energy Regulatory Commission (FERC) declined to correct this deficiency in Docket Number ER15-1047-000, R.E. Ginna Nuclear Power Plant, LLC, Order Rejecting In Part, and Accepting In Part and Suspending Proposed Rate Schedule, Subject to Refund, and Establishing Hearing and Settlement Procedures, 151 FERC ¶ 61,023 (issued April 14, 2015) ("FERC April 14, 2015 Order"), which struck some other provisions of the Original RSSA. Should this matter be litigated, RG&E and Ginna might be able to cite to this Order as lending some support to the 42-month term of the Original RSSA, and so from a litigation perspective, the 24-month term embodied in the JP may represent some concession from RG&E and Ginna.

³ The Original RSSA would have allowed RG&E and GNPP to extend the RSSA "in consultation with the NYISO and the NYPSC and subject to any order or requirement of the NYPSC . . ." (Original RSSA § 2.3). These extension provisions were initially removed pursuant to FERC's April 14, 2015 Order (FERC April 14, 2015 Order at ¶ 40). That Order in part directed RG&E and GNPP to remove language in the RSSA that would have allowed for its extension for an additional 18-month term following its original expiration on September 31, 2018. RG&E and Ginna's subsequent compliance filing, dated May 14, 2015, reflects this change. However, FERC's Order would not have prohibited a revised RSSA from running from the new expiration date included in the JP, March 31, 2017, through September 31, 2018, so the exclusion of the extension option from the revised RSSA, as embodied in the JP, represents a meaningful concession from Ginna and RG&E.

updates peak load projections (which UIU believes may have been treated overly conservatively in the 2014 Reliability Study) and examines the reliability impacts of each GRTA component. This will better inform RG&E's options for maintaining reliability using the most cost-effective means available.

(3) Solicitation for Alternatives

The JP provides that if the new study identifies a reliability need following the expiration of the RSSA that cannot be met by the GRTA, RG&E shall solicit reliability solutions according to a predetermined schedule. Ginna will participate in such a solicitation in order to preserve Ginna's availability as a fallback option; however, UIU expects that the implementation of the GRTA, combined with a more refined understanding of RG&E's reliability need that the new reliability study will supply, would allow smaller, more cost-effective proposals to satisfy any need that is reasonably projected to arise.

(4) Oversight of the GRTA

The success of the JP hinges on the timely completion of the GRTA. Any delay may result in RG&E having to execute a new RSSA, which because of Ginna's refueling cycle, would last for 18 months regardless of the duration of the actual need for Ginna. Under such a scenario, customers may be obligated to fund unnecessary support services. UIU is extremely concerned that no delays occur.

UIU believes that the JP provides some protection against this potential outcome. The JP would bind RG&E to a rigorous schedule of monthly progress reports, regular public meetings, and robust Commission oversight with respect to its progress on the GRTA. Should RG&E fail to timely implement the GRTA notwithstanding these safeguards, and incurs costs to customers as a result (whether through a new RSSA or some other reliability solution), then any party will be able to initiate a prudence proceeding to have those costs assigned to RG&E's shareholders.⁴

⁴ As part of the JP, signatories agree to waive prudence claims with respect to RG&E's actions concerning the GRTA through November 14, 2014, and with respect to issues of prudence related to the RSSA. See "Prudence" infra.

Payment Structure

The JP would alter the structure of monthly payments to Ginna in order to decrease the market risk allocated to customers. Under the Original RSSA, Ginna would retain 15% of market revenues from energy and capacity sales, which RG&E would supplement with a monthly fixed payment of approximately \$17.504 million. Under the JP, Ginna would retain 30% of market revenues, and its fixed payment from RG&E would be reduced to \$15.420 million. The value of the monthly payments to Ginna are expected to be the same under the JP as under the Original RSSA,⁵ but by sourcing more of those payments from market revenues, the JP would decrease customers' exposure to market price volatility.

The JP would also provide predictability by bounding the total cost of the RSSA. Ginna's potential earnings under the Original RSSA were unrestricted, regardless of the amount of market revenues. The JP would set a "floor" of \$425 million and a "cap" of \$510 million for all payments made to Ginna over the duration of the RSSA.⁶ This "floor" and "cap" respectively correspond to Ginna's going-forward costs and its cost of service. UIU has some reservations regarding Ginna's calculations of its going-forward cost and cost of service, which might actually be slightly lower than \$425 million and \$510 million, respectively, but UIU believes that those figures represent reasonable revenue bounds and are justified in light of the cost-predictability they yield.

Bill Impacts

The Original RSSA would have passed all costs directly on to customers, which would increase customer bills from 4% to 30% or more.⁷ These bill impacts may have been further exacerbated by "rate compression": under the Original RSSA, Deferred

⁵ UIU, along with several other parties to this proceeding, sought during negotiations to reduce the value of the monthly payments to Ginna. However, the FERC April 14, 2015 Order largely accepted the value of payments to Ginna, thereby substantially weakening the other parties' litigation positions on the issue. The JP's payment amounts represent an acceptable compromise in light of this adverse precedent.

⁶ This "cap" on Ginna's earnings also advances FERC's requirement in its April 14, 2015 Order that Ginna may not earn more than its full cost of service under the RSSA. FERC April 14, 2015 Order at ¶ 43 and ¶ 44.

⁷ See, attached, Case 14-E-2070, RG&E Response to Multiple Intervenors Information Request No. 35.

Collection Amounts began accumulating beginning on its effective date of April 1, 2015, but would only be collected from customers over the ever-shrinking time period between the RSSA's eventual acceptance by the Commission and FERC and its expiration date. This compressed payment schedule could have led to major customer "rate shock."

The JP significantly mitigates both the rate compression and bill increase effects of the Original RSSA through use of customer credits. RG&E currently holds over \$150 million of deferred regulatory liabilities owed to customers ("customer credits"), and initially proposed to use none of them to offset RSSA costs. Under the JP, RG&E would agree to use customer credits to satisfy the total amount of the Deferred Collection Amount (thus eliminating the rate compression concern), plus any subsequent RSSA costs that exceed \$2.25 million per month (thereby significantly reducing monthly customer bill impacts), up to a total customer credit usage of \$110 million.

The customer credit threshold of \$2.25 million per month represents a compromise between RG&E and end-use parties. UIU has advocated for using customer credits to offset all RSSA costs. As UIU argued in its brief opposing RG&E's request for a temporary rate surcharge to recover RSSA costs,⁸ it is illogical to impose added costs on customers who are already owed money in amounts adequate to cover the corresponding new expenses. UIU remains unmoved by RG&E's arguments against using customer credits, particularly its chief argument that such use would upset the company's cash flow. Given that RG&E paid dividends to its parent company of \$75 million and \$100 million in 2013 and 2014, respectively, RG&E's cash flow problems (if any) are of its own making.

Nevertheless, when considered together, the circumstances justify the JP's \$2.25 million monthly surcharge. Irrespective of who may be at fault for causing RG&E's cash flow problems, it is in the customers' interest that such problems be avoided where practicable in order to preserve the company's credit rating. Second, the JP's \$2.25 million monthly figure is reasonably close to the projected monthly cost of the GRTA (\$1.88 million), which will likely be recovered through a rate surcharge developed as part of RG&E's currently-ongoing rate case.⁹ Charging customers the \$2.25 million monthly

⁸ See Case 14-E-0270, supra, Initial Brief of the Utility Intervention Unit Regarding Temporary Rates (filed July 13, 2015).

⁹ Case 15-E-0285, Rochester Gas and Electric Corporation-Electric Rates.

amount through the JP would therefore soften the rate impacts of recovering the GRTA's costs. Third, any customer credits not used under this JP will still likely be returned to customers over the next two to three years, pending the outcome of RG&E's rate case. Finally, UIU believes that the customers' interest is well served in reaching a settlement, rather than pursuing a protracted litigated case whose outcome is uncertain, further weighs in favor of accepting a compromise on this issue.

Prudence

Prudence represents the only area in which, compared to their original positions before the initiation of this proceeding, the end-user parties gave significant ground to arrive at this JP. Under the JP, parties would waive their rights to challenge two aspects of RG&E's prudence: (1) all issues of prudence related to the RSSA, including RG&E's reliability-planning efforts and its development of the RSSA, through the effective date of the JP; and (2) RG&E's actions in development of the GRTA through November 14, 2014 (the date of the Commission's Order Directing Negotiation of a Reliability Support Service Agreement and Making Related Findings).

UIU views this as a considerable concession to RG&E inasmuch as there exist several factual grounds that support a *prima facie* claim of imprudence. For instance, RG&E has not maintained a consistent position with respect to transmission upgrades' ability to accommodate Ginna's retirement. In response to the question, "Are there other factors that affect the need date for RARP?" RG&E's Project Need Panel responded as follows in testimony filed on March 24, 2015 in Case 11-T-0534:

Yes. RG&E explained in its December 15, 2013 filing that one of the principal contingencies the project is designed to address is an outage of the Ginna Nuclear Plant, one of the three main sources of power to the area. **The permanent retirement of this plant would eliminate this system element from the System Normal configuration.** As a result, all subsequent load flow analysis scenarios would start with Ginna removed and then examine the loss of one, two, or three system elements as dictated by the stressed conditions discussed above. **Much worse results can be expected since the plant contributes significant supply**

to the area. There is the possibility that the Ginna Nuclear Plant may have become uneconomic to operate and may be closed, as reported in recent news articles. Exhibit TJJ-01 to my testimony includes three articles, from Forbes (11/7/13) and Syracuse.com (9/29/13 and 11/11/13) reporting on the possibility of a closure of nuclear plants, including the Ginna Plant.¹⁰

Yet, subsequently in the RARP Proceeding¹¹ as well as in the instant proceeding,¹² RG&E insists that RARP was never designed or modified to address the retirement of Ginna. From either perspective, RG&E knew about the likelihood of Ginna's retirement in 2013, as its Project Need Panel discussed extensively under cross-examination, and failed to expedite engineering analysis, design, procurement and approvals.

It is clear to UIU that RG&E made mistakes in the lead-up to the Original RSSA; further, as noted above, RG&E failed to account for the GRTA when negotiating and executing the RSSA. However, the legal threshold required to demonstrate RG&E's imprudence is extremely high. During the time parties conducted negotiations, UIU carefully evaluated the litigation risk associated with each of its potential prudence claims, and decided that the improvements to the Original RSSA embodied in the JP were sufficiently important to the economic health of RG&E's ratepayers that UIU could not justify exposing them to the risks of litigation or even more of RG&E's litigation costs.¹³

Further, the JP would not immunize RG&E from imprudence with respect to its GRTA-related actions after November 14, 2014; if RG&E is late in implementing the GRTA and incurs costs as a result, those costs are likely to be assigned to RG&E's shareholders through a prudence proceeding. Given that the JP would not affect UIU's prospective rights with respect to prudence, UIU has determined that waiving certain

¹⁰ Case 11-T-0534, Hearing Transcript at 391 (June 17, 2014) (emphasis added).

¹¹ See, attached, Case 11-T-0534, Letter from RG&E to the presiding Administrative Law Judges.

¹² See, e.g., attached, Case 14-E-0270, RG&E Response to UIU Information Request Nos. 5 and 6.

¹³ RG&E may spend more than \$1 million on the state and federal aspects of the Ginna matter, which is fully recoverable from ratepayers. See, attached, Case 15-E-0285, RG&E Response to UIU Information Request No. 128.

prudence claims in exchange for realizing the JP's other benefits is an acceptable trade-off.

PROCEDURAL ISSUES

UIU remains disappointed that a RSSA became necessary. The RSSA imposes particularly high costs on customers because of the substantial embedded costs of Ginna that are distributed over a relatively small customer base. Such agreements should be avoided wherever possible through long-term reliability planning that considers various generator retirement scenarios. In this case, RG&E's reliability planning did not adequately study the financial impact that closing Ginna would have on consumers or on the region's electric grid.

The process of developing the Original RSSA was also flawed. As RG&E stated at the March 10, 2015 procedural conference and as was subsequently confirmed by the presiding Administrative Law Judges, this case is a major rate case as defined in the Public Service Law (PSL). Pursuant to the Commission's rules and guidelines pertaining to settlements in major rate proceedings, RG&E should have invited parties to participate in the development of the Original RSSA once it became clear to RG&E that the negotiations were leading to major rate impacts.

CONCLUSION

The need for an RSSA with Ginna arose in part as a result of inadequate reliability planning and failure to timely implement alternative measures.

Nevertheless, UIU supports the JP. Given that current factual and legal circumstances have made an RSSA necessary, UIU believes that the JP represents the best option available. The JP would implement several measures to mitigate this RSSA's costs on customers and to reduce the likelihood of future RSSAs. The JP is far more protective of customer interests than the Original RSSA, and is a better outcome than anything likely to result from a fully-litigated proceeding. As such, UIU urges the Commission to accept the JP.

Respectfully submitted,

/s/ Michael Zimmerman

Michael Zimmerman
Intervenor Attorney
518-486-7758
michael.zimmerman@dos.ny.gov

Saul Rigberg
Intervenor Attorney
518-408-3746
saul.rigberg@dos.ny.gov

Dated: November 19, 2015
Albany, New York

Attachments

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Petition Requesting Initiation of a Proceeding to Examine a Proposal for Continued Operation of the R.E. Ginna Nuclear Power Plant, LLC. – Petition of Rochester Gas and Electric Corporation for a Temporary Rate Surcharge.

Case 14-E-0270

**ATTACHMENTS TO
STATEMENT OF THE
UTILITY INTERVENTION UNIT ON THE
JOINT PROPOSAL**

Attachment A:

Case 14-E-2070, RG&E Response to Multiple Intervenors Information Request No. 35 (April 13, 2015) (Corresponds to Footnote #7).

Rochester Gas and Electric Corporation

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

INFORMATION REQUEST

Requesting Party and No: Multiple Intervenors (MI-35)

Request No.: GNP-15-070

Date of Request: March 26, 2015

Response Due: April 13, 2015

Date of Reply: April 13, 2015

Respondent: Brian McNierney

Re: Multiple Intervenors Third Set of Information Requests

Question:

For the years 2015 through 2018, provide the projected surcharges that would be recovered by Rochester Gas and Electric Corporation from standby service customers whose otherwise applicable service classification is S.C. 8 as a result of the Reliability Support Services Agreement (“RSSA”) with the owner of the R.E. Ginna nuclear power plant. Calculate the delivery-only rate impacts of the RSSA on such customers.

Response:

Below are the projected surcharges that RG&E would recover, as a result of the RSSA, from standby service customers whose otherwise applicable service classification is S.C. 8:

Standby OASC Service Class	2015 per Daily As Used KW RSSA Rate	2016 per Daily As Used KW RSSA Rate	2017 per Daily As Used KW RSSA Rate	2018 per Daily As Used KW RSSA Rate
SC8 Transmission	0.203099	0.129220	0.126658	0.068366
SC8 SubTrans Ind & Commercial	0.258998	0.169626	0.167953	0.088597
SC8 Primary	0.274399	0.181396	0.180121	0.095958
SC8 Secondary	0.267361	0.175080	0.174001	0.092131
SC8 Substation	0.222545	0.148165	0.146711	0.079665

Rochester Gas and Electric Corporation

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

INFORMATION REQUEST

Response continued:

Delivery-only rate impacts of the RSSA on such customers:

Delivery Only Impact on Standby Customers whose OASC is S.C. 8

Customer Number*	Service Class	2015 Ginna RSSA % Increase	2016 Ginna RSSA % Increase	2017 Ginna RSSA % Increase	2018 Ginna RSSA % Increase
1	S.C. 8 Large General Service Primary	30%	20%	20%	11%
2	S.C. 8 Large General Service Primary	30%	20%	20%	11%
3	S.C. 8 Large General Service Primary	21%	14%	14%	7%
4	S.C. 8 Large General Service Primary	23%	15%	15%	8%
5	S.C. 8 Large General Service SubTransmission Commercial	45%	30%	29%	16%
6	S.C. 8 Large General Service SubTransmission Commercial	47%	31%	31%	16%
7	S.C. 8 Large General Service Secondary	20%	13%	13%	7%
8	S.C. 8 Large General Service Secondary	29%	19%	19%	10%
9	S.C. 8 Large General Service SubTransmission Commercial	57%	38%	37%	20%
10	S.C. 8 Large General Service Secondary	31%	20%	20%	11%
11	S.C. 8 Large General Service SubTransmission Commercial	45%	30%	29%	16%
12	S.C. 8 Large General Service SubTransmission Industrial	25%	17%	16%	9%
13	S.C. 8 Large General Service SubStation	25%	16%	16%	9%
14	S.C. 8 Large General Service SubStation	32%	21%	21%	11%
15	S.C. 8 Large General Service SubStation	42%	28%	28%	15%
16	S.C. 8 Large General Service SubStation	36%	24%	24%	13%
17	S.C. 8 Large General Service Transmission	13%	8%	8%	4%

*Individual customer account information is kept confidential

The delivery bill for each customer was calculated using customer specific contract demand and as-used billing determinants for the 12 months ending 12/31/2014. The estimated surcharge rates are developed for the as-used component of the standby service rate using the current forecast of as-used billing units.

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Petition Requesting Initiation of a Proceeding to Examine a Proposal for Continued Operation of the R.E. Ginna Nuclear Power Plant, LLC. – Petition of Rochester Gas and Electric Corporation for a Temporary Rate Surcharge.

Case 14-E-0270

**ATTACHMENTS TO
STATEMENT OF THE
UTILITY INTERVENTION UNIT ON THE
JOINT PROPOSAL**

Attachment B:

Case 11-T-0534, Letter from RG&E to the presiding Administrative Law Judges (December 23, 2014) (Corresponds to Footnote #8).

John D. Draghi, Esq.
860 United Nations Plaza 18B
New York, NY 10017
212-768-6799
jddraghi@jddraghi.com

December 23, 2014

Hon. Elizabeth H. Liebschutz
Hon. Michelle L. Phillips
State of New York Department of Public Service
Three Empire State Plaza
Albany, NY 12223-1350

Re: Case 11-T-0534 - Application of Rochester Gas and Electric Corporation for a Certificate of Environmental Compatibility and Public Need for the Construction of The "Rochester Area Reliability Project," Approximately 23.6 Miles of 115 Kilovolt Transmission Lines and 1.9 Miles of 345 Kilovolt Line in the City of Rochester and the Towns of Chili, Gates and Henrietta in Monroe County

Dear Judges Liebschutz and Phillips:

Rochester Gas and Electric Corporation ("RG&E") submits this letter to notify you and all parties to the Rochester Area Reliability Project ("RARP") proceeding that developments in Case 14-E-0270, Petition for Initiation of Proceeding to Examine Proposal for Continued Operation of R.E. Ginna Nuclear Power Plant, will result in a modification of the RARP construction schedule.

R.E. Ginna Nuclear Power Plant, LLC ("Ginna") claims in Case 14-E-0270 that it has become uneconomic to continue to operate the Ginna Plant and sell the plant's power at market rates. Ginna states that to keep the plant in operation, it must enter into a Reliability Support Services Agreement ("RSSA") with RG&E. The Public Service Commission ("Commission"), in its November 14, 2014 Order Directing Negotiation of a Reliability Support Services Agreement and Making Related Findings ("Order Directing Negotiations"), required RG&E to negotiate an RSSA with Ginna and report back to the Commission by January 15, 2015. Any such agreement is likely to require RG&E to pay above-market rates for the plant's output during the period the Ginna Plant is required for the provision of reliable electric service. This would increase the amount RG&E's customers must pay for electric service.

To minimize the duration of this impact on its customers, RG&E issued a request for proposals ("RFP") for alternatives to an RSSA with Ginna on October 6, 2014. RG&E also evaluated transmission alternatives to an RSSA. In the Order Directing Negotiations, the Commission said:

To the extent that alternatives proposed through the RFP might affect entry into an RSSA, or the period for which the RSSA remains in effect, RG&E, in consultation with Staff, would evaluate if viable, cost effective substitutes for the Facility, including generation, transmission, and other resources, would be available and could commence operations in a timely fashion. * * * * If it is determined that alternatives could affect negotiation of the RSSA, RG&E should redirect the RSSA negotiations to accommodate the alternatives. For example, an alternative might reduce the time period for which the Ginna Facility is needed, resulting in a shorter term for the RSSA.

Order Directing Negotiations, p. 24. RG&E has identified a transmission solution set that will allow for the retirement of the Ginna facility and could minimize the term of an RSSA, provide net financial benefit to RG&E's customers, and strengthen RG&E's system - the Ginna Retirement Transmission Alternative ("GRTA"). The GRTA can be constructed relatively quickly and would allow RG&E to maintain reliability following the proposed retirement of the Ginna plant. The GRTA mitigates the urgency of the RARP and addresses other system reliability matters, such as identified stuck breaker contingencies.

The New York Independent System Operator ("NYISO") identified Station 122 and Station 80 transformer overloads under N-1-1 stuck breaker contingency conditions (loss of three elements) in its 2012 and 2014 Reliability Needs Assessments. NYISO identified the RARP as a solution to these overloads under contingency conditions. As shown in the Engineering Justification for the RARP (Exhibit 28 in support of the Joint Proposal), the RARP was designed to meet load growth and planned or forced outages at the Ginna Plant. It was not designed to address the retirement of the Ginna Plant. In its December 16, 2013 "Update on Project Need and Major Milestone Schedule for Completion of Project," RG&E advised the Commission that "other additional system upgrades are necessary besides the RARP."

Peak load on the RG&E system in 2014 was 1,508 MW. Under present conditions, if the Ginna Plant were retired, RG&E's system would not meet reliability standards, and Station 122 transformers would be overloaded during both normal "all facilities in service" conditions and post-contingency conditions when the RG&E system load exceeds 1,430 MW. Even with the RARP in service, with the Ginna Plant off-line, Station 122 transformers would be overloaded during normal conditions with RG&E system loads above 1,550 MW. Furthermore, reconsideration of the siting of Station 255 of the RARP by the Commission has delayed the construction of Station 255.¹ The reliability need to solve the overloads that would result from the retirement of the Ginna Plant is immediate.

¹ With the implementation of the GRTA, the immediate construction of Station 255 will not be necessary. However, when Station 255 is constructed, it should be at Site 7 - the site the Commission has already certified for Station 255. Locating Station 255 at Site 20 would require the relocation of a Class C stream, substantial impacts to forested wetlands, the elimination of six acres of dormant agricultural land that has been farmed at Site 20 and could be returned to agriculture, and the potential removal of 30 acres of agricultural land for the creation of new wetlands in mitigation for the wetlands impacted by use of Site 20. It would also increase the cost of designing

Timely construction of the GRTA will require that RG&E use the two 345/115 kV transformers that have been ordered for Station 255 of the RARP, as well as a spare 345/115 kV transformer at Station 80. By re-deploying the RARP Station 255 transformers and a Station 80 spare transformer to Station 122, reconfiguring the 345 kV bus to solve stuck breaker issues (work that is nonetheless necessary), and increasing the ratings of some 34.5 kV and 11.5 kV lines, the term of a Ginna RSSA could be minimized.² This sequence of investments is a better solution to the issues faced by RG&E because it addresses the most urgent issue first (resolving the thermal overloads at Station 122), ensures reliability and capacity for growth in the long-term, and reduces costs for RG&E's customers.

The GRTA would include the following work:

A. Station 122 Upgrades:

RG&E will upgrade the three 345/115 kV transformers at STA 122 from 200 MVA-Class units to 400 MVA-Class units. In addition, a fault-duty short circuit study determined that RG&E must upgrade the 115 kV circuit breakers at Station 122 and one circuit breaker at Station 121. Due to constructability sequence constraints, new 115 kV Gas-Insulated Switchgear with 5 bays arranged in a breaker and half configuration will be installed to replace the 115 kV open-air configuration at Station 122.

B. 34.5 kV and 11.5 kV line Underground Transmission Lines:

With the new flow in the RG&E network, RG&E will uprate the following underground circuits:

- 1) 34.5 kV Circuit 718 between Station 29 and Station 1 (approximately 3.8 miles in length) to 972 amps summer normal and 1592 LTE.
- 2) 34.5 kV Circuit 735 between Station 81 and Station 7 (approximately 9.3 miles in length) to 664 amps summer normal and 867 LTE.
- 3) 34.5 kV Circuit 770 between Station 1 and Station 42 (approximately 2.3 miles in length) to 1202 amps summer LTE.
- 4) 11.5 kV Circuit 623 between Station 137 and Station 38 (approximately 1.4 miles in length) to 582 amps summer normal and 924 LTE.

and constructing the RARP by \$7-9 million, and might impact a possible \$19-20 million office campus development that could create 1,000 jobs in the area.

² The project is in the pre-conceptual engineering phase, and may be impacted by the timing and requirements for regulatory approval, system and engineering studies which may have to be performed, outage availability, and third party agreements.

In addition, a fifth bay of 345 kV circuit breakers will be constructed at Station 80 to reconnect transformers #5 and #3. This will resolve loss of transformers #5 and #2 in a single contingency due to stuck breaker 2T8082, and loss of transformers #3 and #2 in a single contingency due to stuck breaker 1X8082. The fifth bay will have four circuit breakers, two of which will be between transformer #5 and transformer #3 terminal points

The GRTA addresses the most pressing need on RG&E's system and allows for the retirement of the Ginna facility. Even after the GRTA is put into service, however, other transmission work, including the RARP, will be needed to increase reliability as load grows in RG&E's service territory. RG&E proposes to complete the RARP in three phases, with the first phase being completed in 2019 and the final phase in 2021.³

Because RG&E will undertake work at Station 80 (which includes facilities certified by the Commission in the Rochester Transmission Project Article VII proceeding (Case 03-T-1385) and the RARP Article VII proceeding) and at Stations 7 and 121 (which also contain facilities approved in the Rochester Transmission Project proceeding), approvals of the Commission may be required. Work at Station 122 may require the approval of the Department of Environmental Conservation ("DEC") and other state and local agencies. Approval of the United States Army Corps of Engineers may also be required for some of the work referenced above. RG&E intends to request meetings as soon as possible with the Department of Public Service Staff, the DEC and other agencies and municipalities to explain the GRTA and discuss the necessary approvals.

RG&E needs to move forward quickly to complete the GRTA and thereby reduce the impact of a Ginna RSSA on RG&E's customers. RG&E anticipates filing petitions for the above-referenced approvals in the first quarter of 2015.

Respectfully submitted,



John D. Draghi

cc: Secretary Burgess
All Parties

³ Phase I is the energization of Transformer 1 in Station 255 and Line 940. Phase II is the energization of Transformer 2 in Station 255 and Line 941. Phase 3 is the energization of Line 40. These phases are subject to change upon finding a more efficient sequence and discussions with third parties.

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Petition Requesting Initiation of a Proceeding to Examine a Proposal for Continued Operation of the R.E. Ginna Nuclear Power Plant, LLC. – Petition of Rochester Gas and Electric Corporation for a Temporary Rate Surcharge.

Case 14-E-0270

**ATTACHMENTS TO
STATEMENT OF THE
UTILITY INTERVENTION UNIT ON THE
JOINT PROPOSAL**

Attachment C:

Case 14-E-0270, RG&E Response to UIU Information Request Nos. 5 and 6 (March 30, 2015)
(Corresponds to Footnote #12).

Rochester Gas and Electric Corporation

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

INFORMATION REQUEST

Requesting Party and No: Utility Intervention Unit (UIU-5)

Request No.: GNP-15-043

Date of Request: March 19, 2015

Response Due: March 30, 2015

Date of Reply: March 30, 2015

Respondent: Timothy Lynch

Re: Utility Intervention Unit's First Set of Information Requests

Question:

The first full paragraph on page two of the letter dated December 23, 2014 states that the Rochester Area Reliability Project or RARP "was designed to meet load growth and planned or forced outages of the Ginna Plant" and "was not designed to address the retirement of the Ginna Plant." The letter also states that RG&E advised the Commission in a letter dated December 16, 2013 that "other additional system upgrades are necessary besides the RARP."

Please describe those "other additional system upgrades" referred to by the letter of December 16, 2013, their purpose and their status. What plans did RG&E make to identify and implement an alternative to the Ginna Plant before June 30, 2014? Please provide all of RG&E's annual and multi-year plans for specific transmission projects and substation modifications for each year 2011-2015.

Response:

RG&E objects to this interrogatory because it requests information that is irrelevant and outside the scope of the current phase of this proceeding (i.e., the interrogatory seeks information that does not "involv[e] the request of RG&E for Commission acceptance of a Reliability Support Services Agreement between RG&E and R.E. Ginna Nuclear Power Plant, LLC, and for approval of the allocation and recovery of the costs of that agreement.")

Subject to and without waiving these objections, RG&E provides the following response:

Rochester Gas and Electric Corporation

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

INFORMATION REQUEST

Please describe those “other additional system upgrades” referred to by the letter of December 16, 2013, their purpose and their status.

RG&E was specifically referring to upgrades at Station 80 to reconfigure the 345kV substation arrangement in order to eliminate the potential negative impact of a “stuck breaker” contingency. More generally, RG&E was indicating that it would undertake further studies using an updated system model and forecast, as well as the revised planning criteria relating to stuck breakers discussed in the December 16, 2013 letter and anticipated it may find that additional reinforcement projects were indicated.

What plans did RG&E make to identify and implement an alternative to the Ginna Plant before June 30, 2014?

RG&E did not study the permanent retirement of Ginna previous to learning of Ginna’s proposed retirement.

Rochester Gas and Electric Corporation

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

INFORMATION REQUEST

Requesting Party and No: Utility Intervention Unit (UIU-6)

Request No.: GNP-15-044

Date of Request: March 19, 2015

Response Due: March 30, 2015

Date of Reply: March 30, 2015

Respondent: Timothy Lynch

Re: Utility Intervention Unit's First Set of Information Requests

Question:

The last sentence on page two of the letter dated December 23, 2014 states: "The reliability need to solve the overloads that would result from the retirement of the Ginna Plant is immediate."

When did RG&E reach this conclusion?

What steps has RG&E taken to expedite resolution of "the overloads that would result from the retirement of the Ginna Plant"? Please provide all evaluations and reports performed by or for RG&E from January 1, 2011 to date attempting to determine viable, cost-effective substitutes to the Ginna Plant, including generation, transmission and other resources.

Response:

RG&E objects to this interrogatory because it requests information that is irrelevant and outside the scope of the current phase of this proceeding (i.e., the interrogatory seeks information that does not "involv[e] the request of RG&E for Commission acceptance of a Reliability Support Services Agreement between RG&E and R.E. Ginna Nuclear Power Plant, LLC, and for approval of the allocation and recovery of the costs of that agreement.")

Subject to and without waiving these objections, RG&E provides the following response:

Rochester Gas and Electric Corporation

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

INFORMATION REQUEST

When did RG&E reach this conclusion?

Approximately May 2014.

What steps has RG&E taken to expedite resolution of “the overloads that would result from the retirement of the Ginna Plant”?

RG&E has outlined the steps it has taken to address the impact of the retirement of the Ginna Plant in the December 23, 2014 letter referenced above.

Please provide all evaluations and reports performed by or for RG&E from January 1, 2011 to date attempting to determine viable, cost-effective substitutes to the Ginna Plant, including generation, transmission and other resources.

Please see the response to GNP-15-003 (MI-3).

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Petition Requesting Initiation of a Proceeding to Examine a Proposal for Continued Operation of the R.E. Ginna Nuclear Power Plant, LLC. – Petition of Rochester Gas and Electric Corporation for a Temporary Rate Surcharge.

Case 14-E-0270

**ATTACHMENTS TO
STATEMENT OF THE
UTILITY INTERVENTION UNIT ON THE
JOINT PROPOSAL**

Attachment D:

Case 15-E-0285, RG&E Response to UIU Information Request No. 128 (August 31, 2015)
(Corresponds to Footnote #13).

**New York State Electric & Gas Corporation
Rochester Gas and Electric Corporation
Cases 15-E-0283, 15-E-0285, 15-G-0284, 15-G-0286**

NYSEG and RG&E Electric and Gas Rate Cases

Request for Information

Requesting Party: Utility Intervention Unit

Request No.: NYRC-1308 (UIU-128)

Date of Request: August 21, 2015

Response Due Date: August 31, 2015

Date of Reply: August 31, 2015

Witness: Revenue Requirements Panel

Subject: Page 37, lines 18-19 of Direct Testimony

Questions:

Regarding page 37, lines 18-19, of the Direct Testimony of Revenue Requirements Panel, please provide the costs already incurred and the projected additional costs of “the Ginna proceeding and related litigation.”

Response: The legal cost to date for the Ginna RSSA and related proceedings/ litigation is approximately \$800,000. Depending upon the nature of future proceedings, assuming a fully litigated outcome, legal costs in excess of an additional \$1 million may be incurred.