STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of Alliance Energy New York, LLC, Alliance NYGT, LLC, and Alliance Energy Transmissions, LLC, for an Order Approving Financing Pursuant to Section 69 of the Public Service Law

CASE 15-M-_____

VERIFIED PETITION FOR AN ORDER APPROVING FINANCING PURSUANT TO SECTION 69 OF THE PUBLIC SERVICE LAW

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Syracuse, New York

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I. INTRODUCTION

Alliance Energy New York, LLC, ("AENY")[1] Alliance NYGT, LLC, ("Alliance NYGT") and Alliance Energy Transmissions, LLC ("AET") (all parties collectively referred to as the "Petitioners") hereby respectfully submit this Petition (the "Petition") requesting that the Public Service Commission (the "Commission") issue an order authorizing the proposed financing described below. Petitioner's respectfully request that the Commission grant the authorization on an expedited basis on or before the Commission's September 17, 2015 session.

II. PARTIES AND PROPOSED FINANCING

A. Parties

AENY and Alliance NYGT, through exempt wholesale generators and interest in qualifying facilities, indirectly and directly, own seven electric generating facilities in New York with nameplate capacity totaling approximately 430MW. AENY owns, directly and indirectly, 100% of the partnership interests in: Allegany Generating Station, LLC ("AGS"), the owner of

[1] This Petition is submitted on behalf of AENY's New York affiliates: AG-Energy, L.P, Seneca Power Partners, L.P., Sterling Power Partners, L.P., Power City Partners, L.P. Allegany Generating Station, LLC, and Carthage Energy, LLC.

an approximately 62 MW electric generating facility located in the Town of Hume;[2] Carthage Energy, LLC ("Carthage"), the owner of an approximately 63 MW electric generation facility located in Carthage;[3] Seneca Power Partners, L.P. ("Seneca"), the owner of an approximately 68 MW electric generation facility located in Batavia (the "Seneca Facility"); Sterling Power Partners, L.P. ("Sterling"), the owner of an approximately 64 MW electric generation facility located in Sherrill; and, Power City Partners, L.P. ("Power City"), the owner of an approximately 85 MW combined cycle generation facility located in Massena ("Power City Facility").[4] AENY also owns 100% of the partnership interest in AGEnergy, L.P. ("AG-Energy"), which ceased generating electricity in 2007 but continues to operate as a steam corporation serving the St. Lawrence Psychiatric Center in Ogdensburg.

Petitioner Alliance NYGT owns the 46.5 (nameplate) MW Hillburn Gas Turbine located in Hillburn, New York, and the 41.9 (nameplate) MW Shoemaker Gas Turbine located in

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[2] *See Case 07-M-0906 – Iberdrola, S.A., Energy East Corporation, RGS Energy Group, Inc., Greene Acquisition Capital, Inc., New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation – Petition For Approval of the Acquisition of Energy East Corporation By Iberdrola, S.A. FOSSIL AUCTION TRANSACTION FILING*, Order Approving Transfer, Providing for Lightened Ratemaking Regulation, Establishing Rate Treatment and Making Other Findings (Issued Oct. 18, 2013) ("AGS Lightened Regulation Order").

[3] With respect to qualifying facilities and non-New York affiliates, Petitioners assert that they should not be required to obtain approval for financing. *See* Case 14-M-0143 *Allegany Generating Station LLC et al*., Order Approving Financing (Issued and Effective June 30, 2014) at n 1. AENY also owns indirectly Lowell Cogeneration Company L.P. ("Lowell Cogen"), a Delaware limited partnership, that owns a 32.5 MW (nameplate) natural gas and fuel oil-fired combined-cycle electric generation facility located in Lowell, Massachusetts (the "Lowell Facility"). However, Lowell Cogen retired the Lowell Facility in 2013.

[4] *See Case 12-E-0211 – Joint Verified Petition of Alliance Energy, New York LLC, MEG Development Company, LLC, Massena Energy Holdings, LLC, Massena Energy Holdings GP, LLC and Power City Partners, LP for a Declaratory Ruling or, in the Alternative, an Order Approving Transfer Pursuant to Public Service Law Section 70, Approval of Financing Pursuant to Public Service Law Section 69, and Continued Lightened Regulatory Regime*, Order Approving Transfer Subject to Conditions and Approving Financings (issued Sept. 17, 2012) ("Power City Financing Approval Order").

Middletown, New York.[5] Petitioner AET holds a Certificate of Environmental Compatibility and Public Need for an 11.2 mile, 8-inch steel gas pipeline in the Towns of LeRoy, Stafford and Batavia, and the City of Batavia, in order to bring gas from an interstate transmission line to Seneca's facility.[6]

All of the energy, capacity, and ancillary services of Petitioners' electric generating facilities are sold through the wholesale markets administered by the New York Independent Service Operator, Inc. The Commission has issued orders providing for lightened and incidental regulation with respect to the operating entities.[7]

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[5] Case 11-E-0701 *AER NY-Gen, LLC and Alliance NYGT, LLC - Joint Petition for an Order Approving a Transfer Pursuant to Public Service Law §70 and Approving a Lightened Regulatory Regime.* Order Approving Transfer and Making Other Findings (March 21, 2012) ("Alliance NYGT Lightened Regulation Order").

[6] Case 09-T-0489 *Joint Petition of Alliance Energy Transmissions, LLC and Seneca Power Partners, L.P., for approval of an Amendment to and Transfer of the Certificate of Environmental Compatibility and Public Need Granted to Seneca Power Partners,* Order Approving Amendment and Transfer of Certificate (November 17, 2009). Petitioners note that an affiliate, Alliance Energy Transmissions–Syracuse LLC ("AET-Syracuse") holds a Certificate of Environmental Compatibility and Public Need for a twelve-inch diameter pipe operating at a maximum of 800 PSI that runs approximately 50,000 feet from an interconnection with the interstate Tennessee Gas Pipeline in the Town of Lafayette to a location within the Syracuse University campus. Case 11-M-0117 *Joint Petition of Project Orange Associates LLC and Alliance Energy Transmissions-Syracuse LLC for Approval of the Transfers of A Gas Pipeline and the Certificate of Environmental Compatibility and Public Need*, Order Approving Transfer of Ownership and Transfer of Certificate and Providing for Lightened Ratemaking Regulation (October 17, 2011). However, AET-Syracuse is not a petitioner and financing approval is not requested with respect to AET-Syracuse

[7] Case 99-E-1961, *Power City Partners, L.P.*, Order Providing for Lightened Regulation (issued Sept. 30, 1999); AGS Lightened Regulation Order, *supra*, at 13-18; Alliance NYGT Lightened Regulation Order; *supra*, n 5; Case 98-S-1855 *AG-Energy, L.P. and Sterling Partners, L.P.*, Declaratory Ruling on Exemption from Steam Corporation Regulation (issued September 29, 1999); *AG-Energy, L.P.*, Order Providing for Lightened and Incidental Regulation and Granting a Certificate of Public Convenience and Necessity (Nov. 25, 2002); Case 09-G-0490, Alliance Energy Transmission LLC, Declaratory Ruling on Review of a Transfer Transaction and Order Providing For Lightened Regulation (issued November 17, 2009) ("AET Lightened Regulation Order").

B. The Proposed Financing

Pursuant to Section 69 of the PSL, Commission authorization is necessary for a "gas corporation" or an "electric corporation" to enter into indebtedness payable at periods of more than 12 months. The Commission has previously ruled that the level of scrutiny applicable to monopoly utilities may be reduced when reviewing the financial transactions of lightly regulated companies, such as the Petitioners.[8] Thus, for example, in the Orion Financing Order, the Commission approved of Orion's financial arrangement premised principally upon its representations. The Commission stated the standard to be applied in reviewing Article 69 requests when it specified the lightened regulatory regime applicable to Petitioners:

> Regarding PSL §69, prompt regulatory action is possible through reliance on representations concerning proposed financing transactions. Additional scrutiny is not required to protect captive New York ratepayers, who cannot be harmed by the terms arrived at for these financings because lightly-regulated participants in competitive markets bear the financial risk associated with their financial arrangements.[9]

Applying this standard, the Commission previously approved a credit facility providing financing of up to aggregate principal amount of up to $30 million.[10]

By this petition, Petitioners seek the approval of the Commission to increase the aggregate of the previously approved financing by an additional $45 million to an aggregate

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[8] Case 99-E-0839, *Erie Boulevard Hydro Power, L.P.*, Order Authorizing Issuance of Corporate Debt (June 28. 1999) ("Orion Financing Order"); Case 06-E-0843 – *Noble Clinton Wind Park I, LLC, et al.*, Order Approving Financing Subject to a Condition (September 25, 2006) *See, also*, Case 11-G-0413 - *DMP New York, Inc. and Laser Northeast Gathering Company LLC*, Order Approving Financing (Nov. 22, 2011); Case 13-M-0305, *Sithe/Independence Power Partners, L.P.*, Order Approving Financing (Oct. 17, 2013).

[9] AGS Lightened Regulation Order, *supra*, at 15; *see also*, Power City Financing Approval Order, *supra* at 18 (employing same standard in approving prior financing); *see also* AET Lightened Regulation Order at 4, 5 ("AET remains subject to Article 4 generally, but any required filings will be reviewed with the reduced level of scrutiny appropriately applied to this competitive entity").

[10] Case 14-M-0143 *Allegany Generating Station LLC et al.*, Order Approving Financing (Issued and Effective June 30, 2014).

principal amount of up to $75 million for a period of ten years. The proceeds of such financing will refinance existing debt, finance working capital needs, operational losses and capital expenses.

As with financings approved for other lightly-regulated entities operating exclusively in competitive markets, captive New York ratepayers cannot be harmed by the terms of the proposed financing described herein because Petitioners and their affiliates bear all the financial risk.[11] Accordingly, Petitioners respectfully request that they be granted the authority to incur (and to guarantee, as the case may be) indebtedness in an aggregate principal amount of up to $75 million for a term of up to ten years, to grant liens on all or substantially all of their assets and properties in connection with such indebtedness or guarantees.

The Petitioners also request that the Commission grant them the flexibility to substitute financing entities and change payment terms and financing amounts without having to seek new Commission authorization, so long as the total financing amount is less than or equal to $75 million. The proceeds of such subsequent refinancing may also be used to finance Petitioners' subsidiaries working capital needs, operational losses and capital expenses. This f1exibility will allow Petitioners to modify their financings to take advantage of changing market conditions.

C. State Environmental Quality Review Act ("SEQRA")

PSL §69 approval of a securities issuance is a Type 2 action under the SEQRA; 16 NYCRR §§7.2(a), and 7.2(b)(2)(v), therefore, no further review of the financing is required under that statute.[12]

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[11] *See e.g.*, Case 03-E-1179 *Equus Power I, L.P.*, Order Providing for Lightened Regulation and Approving Financing (October 30, 2003).

[12] Case 11-M-0483, *Petition of Sithe/Independence Power Partners, L.P. for Approval of Financing*, Order Approving Financing (December 21, 2011) at n. 5.

III. CONCLUSION

For the reasons set forth herein, Petitioners respectfully requests that the Commission issue an Order on an expedited basis approving the proposed financing described above. Petitioner's respectfully request that the Commission grant the approval on or before the Commission's September 17, 2015 session.

Dated: July 2, 2015

Respectfully submitted,

/s/

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VERIFICATION

STATE OF NEW YORK)
) ss:
COUNTY OF ERIE)

I, J. Matthew Grubka., do hereby affirm that I am an authorized representative of Petitioners. I have read the foregoing Verified Joint Petition for an Order Approving Financing Pursuant to Section 69 of the Public Service Law. I do hereby affirm that he contents of this document are true to the best of my knowledge.

Signed: ___J. Matthew Grubka_______________ (e-signature)

Date: _July 2, 2015______________________