

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

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.

NOTICE SEEKING PUBLIC COMMENT ON JOINT PROPOSAL

(Issued November 25, 2015)

PLEASE TAKE NOTICE that the New York State Public Service Commission (Commission) seeks public comment on a joint proposal (JP) and amended and restated Reliability Support Services Agreement (Amended RSSA) that were filed by Rochester Gas and Electric Corporation (RG&E) on October 21, 2015. The JP is the result of a settlement by and among RG&E, R.E. Ginna Nuclear Power Plant, LLC (Ginna), the New York State Department of Public Service Trial Staff, the Utility Intervention Unit of the New York State Department of State, and Multiple Intervenors.

In an order issued November 14, 2014, the Commission made a finding that the continued operation of the R.E. Ginna Nuclear Power Plant (the Ginna Facility) is necessary to preserve the reliability of the electric system.¹ The Commission directed RG&E to enter into negotiations with Ginna for a reliability support services agreement (RSSA) that would provide for continued operation of the Ginna Facility.

In response, on February 13, 2015, RG&E filed an RSSA entered into between RG&E and Ginna and asked the Commission to approve the RSSA and allow RG&E to recover its costs under the RSSA from its customers. Public statement hearings were held on

¹ Case 14-E-0270, Order Directing Negotiation Of A Reliability Support Service Agreement And Making Related Findings (Issued November 14, 2014).

RG&E's proposal in the Town of Webster on May 6, 2015, and in Rochester, on May 7, 2015.

In August, following the exchange of documents among the parties and a hearing, the Commission authorized RG&E to establish a temporary rate surcharge, subject to refund, for RG&E's collection of revenues to pay for its potential costs under an RSSA.

Pursuant to a notice filed and served pursuant to the Commission's regulations on May 5, 2015, settlement discussions commenced on May 11, 2015. Those settlement discussions led to the filing of the JP and the Amended RSSA.

By its terms, the JP purports to resolve all issues in the proceeding before the Public Service Commission. The JP proposes a two-year RSSA, from April 1, 2015 through March 31, 2017. By its terms, the Amended RSSA must be approved by the Federal Energy Regulatory Commission (FERC) and the NYSPSC by March 1, 2016, or else Ginna may terminate the agreement.

Under the terms of the JP and the proposed Amended RSSA, RG&E would pay Ginna a "monthly fixed amount," less 70% of the revenues Ginna obtains from its sales of energy and capacity in the competitive wholesale energy markets administered by the New York Independent System Operator. (The monthly payments to Ginna would potentially also be reduced by certain other amounts). Thus, under the terms of the Amended RSSA, RG&E would effectively guarantee Ginna a minimum level of revenue each month, in payment for Ginna's agreement to continue operating its plant and thereby ensure the continued reliability of RG&E's electric system.

A surcharge would be established allowing RG&E to collect up to \$2.25 million from RG&E's ratepayers per month. To cover any costs exceeding \$2.25 million per month, RG&E would apply deferred rate credits currently on its books, up to a

total of \$110 million during the term of the RSSA. This will lessen the impacts of the Amended RSSA on RG&E's ratepayers, while still ensuring system reliability.

The surcharge that would be established would be slightly higher than the temporary surcharge that was approved by the Commission in August. Specifically, RG&E indicates that, on a total bill basis, the new permanent surcharge proposed in the JP would increase RG&E's residential rate (S.C. 1 Residential) by less than one-half of one percent. The rate for delivery-only residential customers (S.C. 2 General Service Non Demand) would increase by one percent or less, depending on usage levels.

The Commission may adopt or reject the terms of the JP, in whole or part, or adopt alternative terms.

A summary of the JP, prepared by the signatories to the JP, is attached to this notice. The full text of the JP and the other filings in this proceeding may be viewed, printed or downloaded from the Commission's website, www.dps.ny.gov. Click "Search" on the home page and then enter "14-E-0270" in the space provided for searching by case number.

Ways to Comment

Commission Website: Comments may be entered directly at the Commission's website at www.dps.ny.gov. Click on "Search" and enter "14-E-0270" in the "Search by Case Number" field. On the web page for that case, click on the "Post Comments" button located at the top of the page and enter your comments.

Email or Mail: Comments on the JP may be submitted electronically to Hon. Kathleen H. Burgess, Secretary, at secretary@dps.ny.gov, or by mail or delivery to the Secretary at Public Service Commission, Three Empire State Plaza, Albany, New

York 12223-1350. Comments should refer to "Case 14-E-0270 - RG&E and Ginna RSSA."

Toll-Free Opinion Line: You may call the Commission's Opinion Line at 1-800-335-2120. This number is set up to take comments about pending cases from in-state callers, 24 hours a day. Press "1" to leave comments, mentioning the "Case 14-E-0270 - RG&E and Ginna RSSA." These calls are not transcribed but a summary is provided to the Administrative Law Judge who will report to the Commission.

All comments should be submitted, or mailed and postmarked, no later than December 22, 2015. All statements and comments will become part of the record and will be reported to the Commission for its consideration.

All written comments may be accessed on the Commission's website at <http://www.dps.ny.gov>. Click "Search" on the home page and then enter "14-E-0270" in the space provided for searching by case number; then view the "Public Comments" tab. Many libraries offer free Internet access.

Individuals with difficulty understanding or reading English are encouraged to call the Commission at 1-800-342-3377 for free language assistance services regarding this notice.

(SIGNED)

KATHLEEN H. BURGESS
Secretary

Attachment

10.28.15

Case 14-E-0270 - In re R.E. Ginna Nuclear Power Plant, LLCSummary of Joint Proposal¹Amended Reliability Support Services Agreement (“Amended RSSA”)

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

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

State Settled Matters

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

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

10.28.15

- *RG&E Cost Recovery and Use of Credits* - The Joint Proposal recommends that the Commission authorize RG&E to implement a rate surcharge effective January 1, 2016, to recover amounts paid to Ginna under the Amended RSSA. RG&E, however, would use deferred rate credit amounts (regulatory liabilities) to offset the full amount of the Deferred Collection Amount² (including carrying costs), plus credit amounts to offset all RSSA costs that exceed \$2.25 million per month, not to exceed a total use of credits in the amount of \$110 million, applicable through June 30, 2017. The \$2.25 million per month rate surcharge will continue until the later of 1) the termination of the RSSA or 2) the termination of any solution other than operational protocols required to maintain system reliability for the period after March 31, 2017 or 3) the completion of payments from RG&E to Ginna. Upon termination of the rate surcharge and once the GRTA is placed into service, a \$1.88 million per month surcharge will continue until such time as the GRTA revenue requirement is included in RG&E's electric delivery rates. The rate surcharge will be reconciled monthly.

Study, Solicitation and Reporting

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

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

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