

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

At a session of the Public Service  
Commission held in the City of  
Albany on March 17, 2016

COMMISSIONERS PRESENT:

Audrey Zibelman, Chair  
Patricia L. Acampora  
Gregg C. Sayre  
Diane X. Burman

CASE 15-E-0655 - Petition of the New York Independent System  
Operator, Inc. for Authority to Incur  
Indebtedness for a Term in Excess of Twelve  
Months.

ORDER GRANTING AUTHORIZATION TO INCUR INDEBTEDNESS

(Issued and Effective March 18, 2016)

BY THE COMMISSION:

INTRODUCTION

By Petition dated November 10, 2015, the New York Independent System Operator, Inc. (NYISO) requested authority under New York State Public Service Law (PSL) §69 to: (i) extend the term of its currently-approved revolving line of credit and term loan facility for an additional one-year period until December 31, 2018; (ii) increase the maximum principal amount available under the current term loan facility by \$25 million to reflect the term extension; and (iii) enter into a new unsecured term loan credit facility in the amount of \$30 million dedicated to funding a multi-year project to replace the NYISO's Energy Management System (EMS) and Business Management System (BMS)(EMS/BMS Project Facility).

In this Order, the Commission approves the NYISO's request to extend the term of its current credit facilities through December 31, 2018, as well as to increase the maximum

principal amount under the 2014-2017 Budget Facility by \$25 million to reflect the term extension. The Commission also approves the NYISO's EMS/BMS Project Facility in the amount of \$30 million dedicated solely to funding the multi-year project for replacing the NYISO's EMS and BMS systems.

#### NOTICE OF PROPOSED RULE MAKING

Pursuant to the State Administrative Procedure Act (SAPA) §202(1), a Notice of Proposed Rulemaking regarding the NYISO's Petition was published in the State Register on December 9, 2015 [SAPA No. 15-E-0655SP1]. The SAPA §202(1)(a) period for submitting comments in response to the notice expired on January 25, 2016. No comments were received.

#### BACKGROUND

The NYISO is a Type B New York State not-for-profit corporation that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The NYISO was established in 1999, in response to the Commission's electric utility competitive restructuring policies, as well as the Federal Energy Regulatory Commission (FERC) mandates to ensure non-discriminatory open-access to the electric transmission grid. The NYISO's primary function is to administer New York's competitive wholesale electricity markets, while maintaining the reliability of the State's transmission system.

Since the NYISO is an electric corporation under the PSL, it is required to obtain the Commission's approval under PSL §69 to incur indebtedness that has a term of more than one year. The Commission has approved various multi-year credit facilities proposed by the NYISO since 1999. Most recently, the Commission authorized a combined credit facility consisting of: (i) a four-year, \$50 million revolving line of credit (Revolving

Line of Credit) in order to provide working capital support to balance monthly receipts and remittances, and to provide liquidity to the NYISO-administered markets; and (ii) a \$100 million capital and project financing facility to provide funding for strategic initiatives for 2014 through 2017 related to the management of the New York power grid (2014-2017 Budget Facility).<sup>1</sup>

#### THE PETITION

In order to provide the financing necessary to support the NYISO's responsibilities, including maintaining and enhancing the reliable, safe, and efficient operation of New York's transmission system, as well as promoting and operating a fair and competitive wholesale market for electricity in New York State, the NYISO generally utilizes a revolving credit facility and a multi-year term loan facility. The revolving credit facility serves as a cash flow management tool to provide liquidity to the NYISO administered markets while the multi-year term loan facility is used to finance capital investments, software development projects, and other strategic initiatives.

The NYISO's Petition seeks to extend the maturity date of the currently-approved Revolving Line of Credit facility by one year, from December 31, 2017, until December 31, 2018. The \$50 million maximum principal amount and borrowing rates for the amended revolving credit facility would be the same as the current Revolving Line of Credit. Under the amended revolving credit facility, the NYISO could borrow, at its option, at an

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<sup>1</sup> Case 13-E-0240, Petition of New York Independent System Operator, Inc. for Authority to Incur Indebtedness for a Term in Excess of Twelve Months, Order Conditionally Granting Authorization to Incur Indebtedness (issued September 20, 2013).

interest rate equal to either: (i) a rate based on the one, three, or six month London Interbank Offering Rate (LIBOR) for corresponding deposits of U.S. Dollars quoted by major banks in London plus a margin of 87.5 basis points; or (ii) a per annum "base rate" equal to the greater of: (a) the Wall Street Journal U.S. Prime Rate, or (b) the Federal Funds Rate plus one percent.

In addition, the NYISO requests authorization to extend the maturity date of the currently-approved 2014-2017 Budget Facility by one year until December 31, 2018. The NYISO also requests an increase in the amended 2014-2017 Budget Facility of \$25 million, to \$125 million, to reflect the one-year term extension. The borrowing rates would remain the same as the current 2014-2017 Budget Facility. Under this amended facility, the NYISO could borrow, at its option, at an interest rate equal to either: (i) a rate based on the one, two, or three month LIBOR plus a margin of 95 basis points;; or (ii) a per annum "base rate" equal to the greater of: (a) the Wall Street Journal U.S. Prime Rate, or (b) the Federal Funds Rate plus one percent. Interest would only be payable during the calendar year in which draws are made. At the end of each calendar year during the draw period, the aggregate principal amount of all draws during that year, plus any interest accrued and remaining unpaid, will be converted to a three-year term loan.

Further, the NYISO requests authorization to enter into a new unsecured term loan credit facility in the amount of \$30 million dedicated to funding the multi-year project to replace the NYISO's EMS and BMS, which are collectively referred to as the Ranger system. The Ranger system is used to operate New York's bulk power system and manage the NYISO administered wholesale energy and ancillary services markets. The Ranger system was initially placed into operation in 2005, upgraded in 2007, and was subsequently enhanced on an incremental basis.

The Ranger system runs on a dedicated hardware platform that was installed in 2011. This dedicated hardware platform is projected to reach its "end of support life" in 2019. As a result, the NYISO assessed future options with respect to its Ranger system.

In 2014, the NYISO commenced an assessment to develop a strategy for addressing the future of the Ranger system. This assessment included a review of third party vendors and their productive offerings, as well as an investigation of an option to extend the life of the current system. Based on the results of the assessment, the NYISO Staff recommended pursuing replacement of the Ranger system. On July 21, 2015, the NYISO Board of Directors indicated its concurrence with the NYISO Staff's recommendation. The project is anticipated to be completed in less than four years, beginning in 2016 with project completion expected in 2019. The estimated cost of the new system is approximately \$30 million.

The maximum principal amount of the EMS/BMS Project Facility is \$30 million. The NYISO would be able to make draws under the EMS/BMS Project Facility through December 31, 2018, which aligns with the period over which the vast majority of the costs of the project are expected to be incurred. The borrowing rates and key lending terms for the EMS/BMS Project Facility are the same as the amended 2014-2017 Budget Facility, as noted above.

#### DISCUSSION AND CONCLUSION

Since its establishment, the NYISO has used multi-year budget facilities to fund capital improvements, software development projects, and other strategic initiatives in support of its critical operation of the transmission system in a reliable manner, as well as administration of competitive

wholesale markets for electricity. The structure of the multi-year budget facility allows for adequate funding of the NYISO's objectives and provides a cap on the level of spending the NYISO is able to achieve in any one year.

The Commission previously authorized the Revolving Line of Credit of up to \$50 million in order to bridge the short time interval between the due dates for payments to the NYISO by net buyers of energy, capacity, and ancillary services, and the due date for the payments by the NYISO to the sellers of these services.<sup>2</sup> In addition, the Revolving Line of Credit allows the NYISO to accommodate temporary shortfalls in operating cash flows caused by seasonal fluctuations in its revenues. The Commission also previously authorized the 2014-2017 Budget Facility of up to \$100 million to fund short-term capital improvements, software development projects, and other strategic initiatives identified in the NYISO's annual budget.

The amended Revolving Line of Credit and 2014-2017 Budget Facility would continue to be used for the purposes noted. The additional \$25 million sought for the Budget Facility would also be used for these purposes, recognizing that the NYISO will likely need to spend additional amounts to maintain its historical project and capital funding levels given the one year extension in the term. The NYISO estimates an average annual funding level of approximately \$25,000,000 to meet its required funding for budgeted projects, information technology, and infrastructure. The Commission finds that the \$50 million and \$125 million authorized herein for these

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<sup>2</sup> Case 13-E-0240, Petition of New York Independent System Operator, Inc. for Authority to Incur Indebtedness for a Term in Excess of Twelve Months, Order Conditionally Granting Authorization to Incur Indebtedness (issued September 20, 2013).

respective credit facilities is reasonably required for the NYISO to carry out these purposes.

Moreover, the extension of the Revolving Line of Credit and 2014-2017 Budget Facility are not projected to have any adverse financial impacts on customer rates. The one-year term extension of the existing Revolving Line of Credit and 2014-2017 Budget Facility will provide for alignment of the draw period for all three facilities, as well as extension of the current favorable terms for such facilities for an additional year. Amending these facilities, rather than seeking an entirely new arrangement, is expected to achieve material cost savings, including reduced external legal fees and internal labor costs, as well as avoidance of arranger fees.

In addition, the new \$30 million credit facility dedicated to funding the replacement of the NYISO's EMS and BMS is reasonable, given the need to replace the Ranger system due to the structural and performance limitations of the current software and hardware. These limitations would likely constrain the NYISO's ability to deliver further enhancements going forward.

In order to provide the NYISO with the financial flexibility it needs to address its financing requirements, subject to the conditions in this Order, the NYISO is authorized to extend the term of its currently-approved credit facilities consisting of a revolving line of credit and the 2014-2017 Budget Facility for an additional one-year period until December 31, 2018. The NYISO is also authorized to increase the maximum principal amount available under the currently-approved 2014-2017 Budget Facility by \$25 million to reflect the term extension. Further, the NYISO may enter into a new unsecured term loan credit facility in the amount of \$30 million dedicated to funding the multi-year project for replacing the NYISO's

Ranger system. For the above reasons, the Commission finds that the NYISO's request is reasonable and in the public interest.

The Commission orders:

1. The New York Independent System Operator, Inc. is authorized to extend the term of its currently-approved credit facilities, consisting of a \$50 million revolving line of credit and a \$100 million term loan facility, for an additional one-year period until December 31, 2018, and to increase the principal amount available under the currently-approved term loan facility by \$25 million, to a maximum of \$125 million, for the purposes and in the manner described within the Petition and discussed in the body of this Order.

2. The New York Independent System Operator, Inc. is authorized to enter into a new unsecured term loan credit facility in the amount of \$30 million, for the purposes and in the manner described within the Petition and discussed in the body of this Order.

3. Prior to closing on the final documents authorized in Order Clauses Numbered 1 and 2, if the terms of the extension of the revolving credit and budget term loan facilities or the terms of the new unsecured term loan credit facility in the amount of \$30 million indicate higher interest costs, or other material changes that increase the cost of the proposed facilities, than those described within the petition and body of this Order, the New York Independent System Operator, Inc. shall seek additional Commission authority.

4. Within 120 days of the closing of any part of the facilities authorized under this Order, the New York Independent System Operator, Inc. shall file with the Secretary to the Commission at [Secretary@dps.ny.gov](mailto:Secretary@dps.ny.gov), a copy of the agreement and



a verified report that shows all cost and expenses associated with that portion of the financial facility.

5. The New York Independent System Operator, Inc. shall, within 60 days after the end of each calendar year, file with the Secretary to the Commission at Secretary@dps.ny.gov, a verified report in the form prescribed by 16 NYCRR Section 115.1. The report shall include the date the proceeds were utilized for the purposes authorized in Ordering Clauses 1 and 2 of this Order, the amount, and the purpose for which the funds were utilized.

6. The securities authorized by this Order shall not be issued unless and until there has been filed with this Commission an unconditional acceptance by the New York Independent System Operator, Inc. to obey all the terms, conditions, and requirements of this Order. If such acceptance is not so filed within a period of 30 days from the effective date of this Order, this Order may be revoked by the Commission without further notice.

7. In the Secretary's sole discretion, the deadlines set forth in this Order may be extended. Any request for an extension must be in writing, must include a justification for the extension, and must be filed at least one day prior to the affected deadline.

8. This proceeding is continued, but shall be closed by the Secretary upon compliance with Ordering Clauses 1 through 6, unless the Secretary finds good cause to continue the proceeding further.

By the Commission,

(SIGNED)

KATHLEEN H. BURGESS  
Secretary