

July 13, 2018

By Electronic Delivery

Hon. Kathleen H. Burgess
Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, New York 12223-1350

Re: Case 18-E-____ – Petition of the New York Independent System Operator, Inc. for Authority to Incur Indebtedness for a Term in Excess of Twelve Months Pursuant to Section 69 of the New York Public Service Law

Dear Secretary Burgess:

Pursuant to Section 69 of the New York Public Service Law, enclosed for filing please find the Petition of The New York Independent System Operator, Inc. (“NYISO”) requesting authority to incur indebtedness for a term in excess of twelve months. The NYISO respectfully requests that the New York State Public Service Commission (“Commission”) issue an order approving this Petition on or before its October 2018 session, currently scheduled to occur on October 18, 2018, but in no event later than its November 2018 session. The NYISO is requesting approval of this Petition no later than the Commission’s November 2018 session because a decision after that date will not allow the NYISO to close on the proposed credit facilities by December 31, 2018. The NYISO’s existing credit facilities expire on December 31, 2018 and the NYISO will not have access to financing under those credit facilities after that date.

If you have any questions regarding this filing, please do not hesitate to contact Amie Jamieson (518-356-7306 or ajamieson@nyiso.com) or me (518-356-6107 or gbissell@nyiso.com).

Respectfully submitted,

/s/ Garrett E. Bissell
Garrett E. Bissell, Senior Attorney
New York Independent System Operator, Inc.

**STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

**Petition of the New York Independent System
Operator, Inc. for Authority to Incur Indebtedness
for a Term in Excess of Twelve Months Pursuant
to Section 69 of the New York Public Service Law**

Case 18-E-_____

**PETITION OF THE NEW YORK INDEPENDENT
SYSTEM OPERATOR, INC. FOR AUTHORITY TO INCUR
INDEBTEDNESS FOR A TERM IN EXCESS OF TWELVE MONTHS**

Dated: July 13, 2018

**STATE OF NEW YORK
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INDEBTEDNESS FOR A TERM IN EXCESS OF TWELVE MONTHS**

Pursuant to Section 69 of the New York Public Service Law (“NYPSL”) and Part 37 of Title 16 of the New York Code of Rules and Regulations (“NYCRR”), The New York Independent System Operator, Inc. (“NYISO”) hereby submits this Petition requesting authorization from the New York State Public Service Commission (“Commission”) to incur indebtedness for a term in excess of twelve months. As further described herein, the NYISO is requesting authorization to: (i) extend the term of its currently-approved \$30 million credit facility dedicated to funding the multi-year project for replacing the NYISO’s Energy Management System and Business Management System (“EMS/BMS Project”) for a maximum of an additional one-year period until December 31, 2019, with all other terms and conditions remaining the same; (ii) replace its expiring revolving credit facility with a new five-year, revolving line of credit of up to \$30,000,000 with an additional \$20,000,000 available under the loan agreement upon the NYISO’s request (“Accordion Feature”); and (iii) replace its expiring term loan with a new five-year unsecured term loan facility of a maximum, aggregate principal

amount of \$90,000,000 dedicated to funding capital investments, software development projects, and other strategic initiatives.¹

Extension of the current credit facility for the EMS/BMS Project for a maximum of an additional year will allow for continuation of the existing credit facility, should completion of the project require funding in 2019. The proposed revolving line of credit and unsecured term loan will support the NYISO's liquidity needs and allow the NYISO to fund its capital investments, software development projects, and strategic initiatives at competitive rates, terms, and conditions.

I. BACKGROUND

The NYISO is a New York State not-for-profit corporation that is tax exempt under Section 501(c)(3) of the Internal Revenue Code. The NYISO: (i) operates and maintains the reliability of New York's bulk power system; (ii) administers the State's wholesale electricity markets; and (iii) conducts short-term and long-term planning with respect to the State's bulk power system. The Commission has previously determined that the NYISO is an "electric corporation," as such term is defined in the NYPSL.² Based on this prior determination, the Commission has indicated that the NYISO may not incur indebtedness payable at periods exceeding twelve months without the prior authorization of the Commission. A copy of the NYISO's Certificate of Incorporation already is on file with the Commission.³

¹ As further described herein, the proposed five-year term loan facility includes a replenishment feature that will allow the NYISO to reduce costs while meeting its estimated financing needs over the five-year term of the proposed facility.

² See Case 00-E-1380, *The Provision by the New York Independent System Operator, Inc. of Information and Data to Department Staff*, Order Directing Provision of Data and Information at 5, fn. 1 (issued and effective August 14, 2000).

³ Case 09-E-0857, *In the Matter of the Petition of the New York Independent System Operator, Inc. Under Public Service Law Section 69 for Authority to Incur Indebtedness for a Term in Excess of*

The Commission has previously approved the following requests by the NYISO to incur indebtedness with a term exceeding twelve months:

1. On September 21, 1999, in Case 99-E-1176, the Commission authorized a \$12 million revolving line of credit for working capital purposes (“Revolver”).⁴
On September 8, 2000, the Commission authorized an increase to the Revolver to \$50 million.⁵
2. On October 20, 1999, in Case 99-E-1176, the Commission authorized a \$54 million term loan agreement for start-up costs (“Term Loan”).⁶
3. On October 25, 2001, in Case 01-E-1068, the Commission authorized a three-year term note with a credit line of up to \$20 million to purchase computer hardware (“3-Year Term Note”).⁷
4. On February 10, 2003, in Case 02-E-1565, the Commission authorized a five-year term note with a credit line of up to \$59.3 million to purchase computer equipment and software upgrades (“5-Year Term Note”).⁸

Twelve Months, Petition of the New York Independent System Operator, Inc. for Authority to Incur Indebtedness for a Term in Excess of Twelve Months at Attachment VII (December 10, 2009).

⁴ Case 99-E-1176, *Petition of the New York Independent System Operator, Inc. for Authority to Issue Long-Term Debt*, Order (issued and effective September 21, 1999).

⁵ Case 99-E-1176, *supra*, Order (issued and effective September 8, 2000).

⁶ Case 99-E-1176, *Petition of the New York Independent System Operator, Inc. to Amend the Terms of Its Long-Term Debt Previously Approved in this Proceeding*, Order (issued and effective October 20, 1999).

⁷ Case 01-E-1068, *Petition of the New York Independent System Operator, Inc. for Authority to Issue Long-Term Debt*, Order (issued and effective October 25, 2001).

⁸ Case 02-E-1565, *Petition of the New York Independent System Operator, Inc. for Authority to Issue Long-Term Debt*, Order Approving Petition (issued and effective February 10, 2003).

5. On March 16, 2004, in Case 03-E-1770, the Commission authorized a \$100 million revolving line of credit to provide funding for strategic initiatives for 2004 through 2006 related to the management of the New York power grid (“2004-2006 Budget Facility”).⁹
6. On May 18, 2005, in Case 05-E-0270, the Commission authorized \$25 million in secured financing to provide funding for the acquisition of certain real property and for the renovation of the office building thereon (“Mortgage and Renovations Loan”).¹⁰
7. On July 21, 2005, in Case 05-E-0503, the Commission authorized a \$50 million revolving line of credit to replace the Revolver, which was set to expire in October 2005 (“Replacement Revolver”).¹¹
8. On January 19, 2007, in Case 06-E-1254, the Commission authorized an \$80 million revolving loan facility to provide funding for strategic initiatives for 2007 through 2010 related to the management of the New York power grid (“2007-2010 Budget Facility”).¹²

⁹ Case 03-E-1770, *Petition of the New York Independent System Operator, Inc. for Approval of a Three-Year Revolving Credit Facility Worth Up to \$100,000,000*, Order (issued and effective March 16, 2004).

¹⁰ Case 05-E-0270, *Petition of the New York Independent System Operator, Inc. to Incur \$25,000,000 in Indebtedness*, Order (issued and effective May 18, 2005).

¹¹ Case 05-E-0503, *Petition of the New York Independent System Operator, Inc. for Authority to Enter into a Five-Year Revolving Credit Agreement*, Order Concerning Five-Year Revolving Credit Agreement (issued and effective July 21, 2005).

¹² Case 06-E-1254, *Petition of New York Independent System Operator, Inc. for Authority to Incur Indebtedness for a Term in Excess of Twelve Months*, Order Authorizing Issuance of Securities (issued and effective January 19, 2007).

9. On July 19, 2010, in Case 10-E-0160, the Commission authorized a combined credit facility consisting of: (i) a \$50 million revolving line of credit to replace the Replacement Revolver, which was set to expire in July 2010 (“2010 Revolver”); and (ii) a \$75 million revolving loan facility to provide funding for strategic initiatives for 2011 through 2013 related to the management of the New York power grid (“2011-2013 Budget Facility”).¹³
10. On April 19, 2011, in Case 10-E-0640, the Commission authorized a \$45 million construction loan facility to provide funding for renovating and upgrading the NYISO power control centers and related improvements (“Construction Loan”).¹⁴
11. On July 12, 2012, in Case 12-E-0168, the Commission authorized a \$45 million construction loan facility to refund and replace the Construction Loan (“Replacement Construction Loan”).¹⁵
12. On September 20, 2013, in Case 13-E-0240, the Commission authorized a combined credit facility consisting of: (i) a four-year, \$50 million revolving line of credit to replace the 2010 Revolver, which was set to expire after December 2013 (“2014-2017 Revolving Line of Credit”); and (ii) a \$100 million capital and project financing facility to provide funding for strategic initiatives for 2014

¹³ Case 10-E-0160, *Petition of New York Independent System Operator, Inc. for Authority to Incur Indebtedness for a Term in Excess of Twelve Months Under §69 of the New York Public Service Law*, Order Granting Authorization to Incur Indebtedness, with Conditions (issued and effective July 19, 2010).

¹⁴ Case 10-E-0640, *Petition of New York Independent System Operator, Inc. for Authority to Incur Indebtedness for a Term in Excess of Twelve Months*, Order Approving Financing with Conditions (issued and effective April 19, 2011).

¹⁵ Case 12-E-0168, *Petition of the New York Independent System Operator, Inc. for Authorization to Incur Indebtedness for a Term in Excess of Twelve Months*, Order Approving Financing with Conditions (issued and effective July 12, 2012).

through 2017 related to the management of the New York power grid (“2014-2017 Budget Facility”).¹⁶

13. On March 18, 2016, in Case 15-E-0655, the Commission approved the NYISO’s request to (i) extend the term of the 2014-2017 Revolving Line of Credit by one year until December 31, 2018 (“Amended 2014-2018 Revolving Line of Credit”); (ii) extend the term of the 2014-2017 Budget Facility by one year until December 31, 2018 and increase the maximum principal amount available pursuant to such facility by \$25 million to reflect the term extension (“Amended 2014-2018 Budget Facility”); and (iii) add a separate, three-year unsecured financing facility with a maximum principal amount of \$30 million to provide funding for the replacement of the Energy Management System and the Business Management System (“EMS/BMS Project Facility”).¹⁷ All three facilities mature and expire on December 31, 2018.

The NYISO respectfully requests authorization to (i) extend the term of the EMS/BMS Project Facility for a maximum of up to an additional twelve months (*i.e.*, to no later than December 31, 2019), with all other terms and conditions remaining the same (the “Amended EMS/BMS Project Facility”); (ii) replace the Amended 2014-2018 Revolving Line of Credit with a new five-year, revolving line of credit of up to \$30 million with an additional \$20 million Accordion Feature (the “2019-2023 Revolving Line of Credit”); and (iii) replace the Amended

¹⁶ 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 and effective September 20, 2013).

¹⁷ 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).

2014-2018 Budget Facility with a new five-year unsecured term loan with a maximum, aggregate principal amount of \$90 million dedicated to funding capital investments, software development projects, and other strategic initiatives (the “2019-2023 Budget Facility”) (the Amended EMS/BMS Project Facility, the 2019-2023 Revolving Line of Credit, and the 2019-2023 Budget Facility are together referred to as the “2019 Senior Credit Facility”).

The NYISO Board of Directors approved entering into the 2019 Senior Credit Facility on April 16, 2018.

II. PROPOSED CREDIT FACILITIES

Pursuant to Section 69 of the NYPSL, the NYISO seeks Commission authorization to incur indebtedness for a term in excess of twelve months by executing the 2019 Senior Credit Facility. The 2019 Senior Credit Facility provides a maximum, aggregate principal amount of \$170 million, consisting of: (i) the Amended EMS/BMS Project Facility with a maximum principal amount of \$30 million; (ii) the 2019-2023 Revolving Line of Credit with a maximum aggregate amount outstanding of \$30 million at any one time with an additional \$20 million Accordion Feature; and (iii) the 2019-2023 Budget Facility with a maximum aggregate principal amount of \$90 million outstanding. KeyBank National Association (“KeyBank”) will continue to serve as the administrative agent and lead arranger for the Amended EMS/BMS Project Facility. TD Bank, N.A. (“TD Bank”) will serve as sole lender for the 2019-2023 Revolving Line of Credit and the 2019-2023 Budget Facility.

A. Amended EMS/BMS Project Facility

In 2016, the Commission approved the NYISO’s request to enter into the EMS/BMS Project Facility—a three-year unsecured financing facility with a maximum principal amount of \$30 million—to fund the replacement of the existing Energy Management System and Business Management System, known collectively as the “Ranger system,” with the Network Manager

Product platform (“Network Manager”). As the NYISO explained in its Petition requesting approval to enter into the EMS/BMS Project Facility, the third-party vendor that developed the Ranger system, ABB, publicly announced in 2012 that it would cease further development of the Ranger system in favor of developing a single-platform Network Manager, and the NYISO expected the Ranger system hardware to reach its end of support life in 2019. Based on NYISO staff’s review of third-party vendors and their product offerings, and evaluation of the option to extend the life of the Ranger system, NYISO management recommended replacement of the Ranger system with the Network Manager. The NYISO Board of Directors concurred with management’s recommendation. In response to stakeholder feedback, the NYISO proposed to pursue supplemental financing to provide funding for the replacement project, and identified the EMS/BMS Project Facility as the preferred financing option.

The NYISO has borrowed approximately \$21.3 million of the funds available under the EMS/BMS Project Facility as of May 31, 2018. The EMS/BMS Project Facility currently expires on December 31, 2018. The NYISO has reached agreement with KeyBank and TD Bank to extend the draw period until no later than December 31, 2019 as a contingency in the event there are unanticipated project delays that require draws after December 31, 2018. All other terms and conditions of the facility, including the maximum principal amount of \$30 million, would remain the same. Approval of this extension will ensure that the NYISO has access to the EMS/BMS Project Facility to fund the project through completion. Given the complexity of the EMS/BMS Project and the critical nature of these systems to the NYISO’s operation of the wholesale markets and bulk power system, establishing continued access to the EMS/BMS Project Facility in the event that unexpected project delays arise is a prudent course of action.

The lenders' commitment letters related to the extension of the draw period on the EMS/BMS Project Facility are attached as Attachment II.

B. 2019-2023 Revolving Line of Credit

The 2019-2023 Revolving Line of Credit, like the Amended 2014-2018 Revolving Line of Credit, will serve as a cash flow management tool to provide liquidity to the NYISO-administered markets. The NYISO needs working capital primarily for:

- bridging the short time interval between the due date for payments to the NYISO from net buyers of energy, capacity, and ancillary services, and the due date for payments by the NYISO to the net suppliers of such products. If any significant settlement payments due to the NYISO from net buyers are delayed, the NYISO needs available liquidity to make timely remittances to net suppliers; and
- accommodating temporary shortfalls in operating cash flows caused by seasonal fluctuations in NYISO revenues.

Under the 2019-2023 Revolving Line of Credit, an aggregate amount of up to \$30 million will be available upon closing. Based on its review of operations and finances during the last several years, the NYISO expects that a \$30 million revolving line of credit will be adequate for it to manage cash flows and provide liquidity to NYISO-administered markets. Should this prove not to be the case at any time during the term of the 2019-2023 Revolving Line of Credit, the NYISO may exercise the Accordion Feature, whereby up to \$20 million in additional funding may be available through the facility. The NYISO's capability to exercise the Accordion Feature is subject to TD Bank's approval and the following conditions: (i) the NYISO may exercise the feature no more than twice during the term; (ii) no event of default or material adverse change has occurred since the closing date on the facility; (iii) the maturity date of any increase matches

the maturity date of the \$30 million underlying facility; and (iv) the increase will be on the same terms as the underlying facility.

This structure whereby the NYISO has a \$30 million revolving line of credit available at closing, with available increases up to an aggregate amount of \$50 million available, is different from the NYISO's existing \$50 million Amended 2014-2018 Revolving Line of Credit, which provided for the entire \$50 million being available to the NYISO at closing. Under both the Amended 2014-2018 Revolving Line of Credit and the 2019-2023 Revolving Line of Credit, the NYISO pays fees on the unused portion of the total loan commitment during the term of the loan. The NYISO pursued the revised structure in order to reduce the amount of such unused fees paid to TD Bank. Under the structure of the 2019-2023 Revolving Line of Credit, the NYISO pays these fees on the unused portion of the total commitment for the facility, which is \$30 million. While the Accordion Feature provides the NYISO with the capability to access up to \$50 million, if necessary, the NYISO will pay unused fees only on the unused portion of the \$30 million commitment unless the NYISO exercises the Accordion Feature. This revised loan structure is expected to provide cost savings over the term of the Amended 2014-2018 Revolving Line of Credit by reducing the amount of unused fees paid by the NYISO.

The 2019-2023 Revolving Line of Credit is unsecured and has a maturity date of December 31, 2023. The interest rate structure for the 2019-2023 Revolving Line of Credit is similar to the interest rate structure for the Amended 2014-2018 Revolving Line of Credit, but includes a lower margin. The NYISO can borrow, at its option, at an interest rate equal to either: (i) the rate of interest per annum equal to the greater of the U.S. Prime Rate published in the

Wall Street Journal,¹⁸ or one percent in excess of the Federal Funds Rate or (ii) the London Interbank Offered Rate (“LIBOR”) plus a margin of 60 basis points.¹⁹ There are no arranger or agency fees applied to the 2019-2023 Revolving Line of Credit, and the upfront and unused fee rates are lower than for the Amended 2014-2018 Revolving Line of Credit.²⁰

C. 2019-2023 Budget Facility

Like the Amended 2014-2018 Budget Facility, the 2019-2023 Budget Facility will be used to finance capital investments, software development projects, and other strategic initiatives in support of the NYISO’s responsibilities to maintain and enhance the reliable, safe, and efficient operation of the New York State transmission system, as well as promote and operate a fair and competitive wholesale electricity market. The NYISO selects capital investments, projects, and initiatives to pursue through its annual project prioritization process undertaken in consultation with stakeholders as part of the development of the NYISO’s annual budget. The NYISO estimates that the average annual funding required for the selected items will be approximately \$28 million over the next five years.²¹ In Case 15-E-0655, in which the Commission approved the NYISO’s most recent request for approval of credit facilities, the NYISO estimated its average annual funding required for capital investments, software development projects, and other strategic initiatives to be approximately \$25 million per year

¹⁸ In the event the Wall Street Journal ceases publication of Prime Rates, TD Bank will designate an alternate reference rate.

¹⁹ In the event LIBOR is not available or ceases being used to set interest rates, TD Bank will provide an alternative index.

²⁰ For the Amended 2014-2018 Revolving Line of Credit, the upfront and unused fees were each based on 12.5 basis points. These fees have been slightly reduced for the 2019-2023 Revolving Line of Credit, and are based on 7.5 basis points and 10 basis points, respectively.

²¹ See Case 12-E-0168, *supra*, NYISO Capital Plan for 2018-2022 (December 15, 2017).

over the term of the proposed Amended 2014-2018 Budget Facility.²² The NYISO anticipates the level of spending on capital purchases, software development efforts, and other strategic initiatives will increase to approximately \$28 million per year on average through 2023 based on planned significant market design initiatives, such as those related to energy storage and distributed energy resources.

Like the Amended 2014-2018 Budget Facility, draws from the 2019-2023 Budget Facility will be converted into three-year term loans at the end of each calendar year. Use of a term loan structure allows the NYISO to amortize project expenditures over three-year periods, thereby aligning recovery of project costs for equipment and software with their approximate useful lives. This approach also assists in providing greater stability and predictability to collections through Rate Schedule 1 of the NYISO's Market Administration and Control Area Services Tariff ("Services Tariff") and Rate Schedule 1 of the Open Access Transmission Tariff ("OATT"). The NYISO will recover the funds needed to pay the principal and interest of each term loan through Rate Schedule 1 of the Services Tariff and Rate Schedule 1 of the OATT. Stakeholders have consistently supported this approach.

The maximum aggregate principal amount of the 2019-2023 Budget Facility is \$90 million, with a loan replenishment feature that is discussed in more detail below. Draws may commence beginning January 1, 2019, and may be made until the facility expires on December 31, 2023. Interest only is payable during the calendar year in which draws are made. At the end of each calendar year, 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. Payments on

²² 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*, at 9 (November 10, 2015).

the term loan will begin on January 2 of the first calendar year of each term loan and continue each month so that the NYISO makes 36 nearly equal monthly payments of principal, plus accrued interest.

The 2019-2023 Budget Facility loan structure includes a loan replenishment feature that effectively increases the amount of funds available for the NYISO to draw on while reducing the fees the NYISO pays on the loan. Under this loan structure, as the NYISO repays the principal during the term, the amount available for drawings will increase by the amount of those payments. Without this replenishment feature, the NYISO would need to pursue a \$140 million credit facility to meet the expected financing needs for project-related expenditures over the five-year term of the proposed facility. However, with this replenishment feature, the NYISO is able to meet its expected financing needs with a \$90 million facility. The NYISO pursued the revised structure in order to reduce the amount of unused fees paid to TD Bank. Under the structure of the 2019 – 2023 Budget Facility, the NYISO pays these fees on the unused portion of the total commitment for the facility of \$90 million rather than a commitment of \$140 million without a replenishment feature..

The NYISO can borrow, at its option, at an interest rate equal to either: (i) the rate of interest per annum equal to the greater of the U.S. Prime Rate published in the Wall Street Journal,²³ or one percent in excess of the Federal Funds Rate or (ii) the LIBOR plus a margin of 67.5 basis points.²⁴ This is a lower margin than required by the Amended 2014-2018 Budget

²³ In the event the Wall Street Journal ceases publication of Prime Rates, TD Bank will designate an alternate reference rate.

²⁴ In the event LIBOR is not available or ceases being used to set interest rates, TD Bank will provide an alternative index.

Facility. There are no arranger or agency fees applied to the facility, and the upfront and unused fee rates are lower than for the Amended 2014-2018 Budget Facility.²⁵

D. Lender's Commitment

The commercial terms and conditions set forth in the Commitment Letter, attached hereto as Attachment I, present the terms that the NYISO and TD Bank have agreed to for the 2019-2023 Revolving Line of Credit and the 2019-2023 Budget Facility.²⁶ These terms compare favorably to those available in the market for comparable loans. Although the NYISO has not yet executed a definitive loan agreement, it anticipates closing on these two facilities as soon as reasonably practicable following Commission approval of this Petition. The NYISO expects that the material terms and conditions of the definitive loan agreement will be the same as, or consistent with, those set forth in Attachment I.

Based on the NYISO's due diligence in evaluating its financing options for the upcoming years, the NYISO has determined that the terms and conditions of the 2019 Senior Credit Facility are competitive and well suited to its financing needs. The NYISO negotiated the 2019-2023 Revolving Line of Credit and the 2019-2023 Budget Facility as a single commitment in order to obtain the best commercial terms possible for each facility in return for allowing TD Bank to serve as the sole lender for both facilities. This arrangement resulted in no arranger fee and no annual agency fee, and will support the efficient administration of both facilities. As described above, the loans were structured to reduce the amount of fees associated with the 2019-2023

²⁵ For the 2019-2023 Budget Facility, the upfront fees are based on 7.5 basis points and the unused fees are based on 10 basis points. Comparatively, these fee amounts were based on 10 basis points and 12.5 basis points, respectively, for the Amended 2014-2018 Budget Facility.

²⁶ As noted in Section II.A above, the commitment letters from KeyBank and TD Bank related to the extension of the draw period on the EMS/BMS Project Facility are included as Attachment II.

Revolving Line of Credit and the 2019-2023 Budget Facility, and the level of both the upfront and unused fees are lower than the credit facilities they are replacing.²⁷ The interest rate spreads on the TD Bank facilities are also better than interest rate spreads on similar loans obtained by the NYISO in recent years and are generally consistent with current market conditions.

E. Other Sources of Available Financing

The credit facilities previously approved by the Commission are either not available or inadequate to meet the financing needs described above. Accordingly, the NYISO requires new credit facilities to meet such needs.

The following facilities are unavailable because they have either expired or been paid off and terminated: (i) the Revolver authorized in Case 99-E-1176; (ii) the Term Loan also authorized in Case 99-E-1176; (iii) the 3-Year Term Note authorized in Case 01-E-1068; (iv) the 5-Year Term Note authorized in Case 02-E-1565; (v) the 2004-2006 Budget Facility authorized in Case 03-E-1770; (vi) the Replacement Revolver authorized in Case 05-E-0503; (vii) the 2007-2010 Budget Facility authorized in Case 06-E-1245; (viii) the 2010 Revolver and the 2011-2013 Budget Facility authorized in Case 10-E-0160; and (ix) the Construction Loan authorized in Case 10-E-0640. The following facilities have not expired or been paid off and terminated, but are unavailable because the draw period has expired: the Mortgage and Renovations Loan authorized in Case 05-E-0270 and the Replacement Construction Loan authorized in Case 12-E-0168. As explained above, the Amended 2014-2018 Revolving Line of Credit and the Amended

²⁷ As described in Sections II(B) and II(C) above, the NYISO was able to reduce the size of the facilities as a result of favorable loan features that were included as part of each facility (*i.e.*, the Accordion Feature of the 2019-2023 Revolving Line of Credit and the replenishment feature of the 2019-2023 Budget Facility).

2014-2018 Budget Facility will terminate on December 31, 2018 and are therefore unavailable for the NYISO's future financing needs.

III. INFORMATION IN SUPPORT OF PETITION

Pursuant to Part 37 of Title 16 of the NYCRR, the NYISO provides the following information in support of this Petition:

A. Financial Condition of the NYISO [16 NYCRR §§ 37.1(a) and 18.1]

The NYISO has not issued any capital stock or equity interests of any kind. Accordingly, the NYISO has not declared any dividends. The NYISO has also not issued any bonds.

Pursuant to Commission authorization, the NYISO executed a 20-year commercial mortgage on July 8, 2005 to fund the purchase of, and certain improvements to, its property at 10 Krey Boulevard, Rensselaer, New York.²⁸ HSBC Bank U.S.A., N.A. is the mortgagee.

As further described in Section I above, the Commission has previously authorized the NYISO to enter into the following credit facilities pursuant to Section 69 of the NYPSSL: (i) the \$50 million Revolver authorized in Case 99-E-1176; (ii) the \$54 million Term Loan also authorized in Case 99-E-1176; (iii) the \$20 million 3-Year Term Note authorized in Case 01-E-1068; (iv) the \$59.3 million 5-Year Term Note authorized in Case 02-E-1565; (v) the \$100 million 2004-2006 Budget Facility authorized in Case 03-E-1770; (vi) the \$25 million Mortgage and Renovations Loan authorized in Case 05-E-0270; (vii) the \$50 million Replacement Revolver authorized in Case 05-E-0503; (viii) the \$80 million 2007-2010 Budget Facility authorized in Case 06-E-1254; (ix) the Combined Credit Facility, consisting of the \$50 million 2010 Revolver and the \$75 million 2011-2013 Budget Facility, authorized in Case 10-E-0160; (x) the \$45 million Construction Loan authorized in Case 10-E-0640; (xi) the \$45 million

²⁸ See Case 05-E-0270, *supra*, Order (issued and effective May 18, 2005).

Replacement Construction Loan authorized in Case 12-E-0168; (xii) the \$50 million Revolving Line of Credit and the \$100 million 2014-2017 Budget Facility, authorized in Case 13-E-0240; and (xiii) the extension of the term of the \$50 million Revolving Line of Credit by one year, the extension of the term of the 2014-2017 Budget Facility by one year with an increase of the facility by \$25 million, and the new \$30 million EMS/BMS Project Facility authorized in Case 15-E-0655.

As of May 31, 2018, the amounts outstanding with respect to certain credit facilities previously approved by the Commission are as follows: (i) \$12,735,093 for the Mortgage and Renovations Loan authorized in Case 05-E-0270; (ii) \$34,843,165 for the Replacement Construction Loan authorized in Case 12-E-0168; (iii) \$38,914,211 for the 2014-2017 Budget Facility authorized in Case 13-E-0240; and (iv) \$16,749,167 for the EMS/BMS Project Facility authorized in Case 15-E-0655.²⁹

The NYISO has no contingent assets or liabilities. Attachment III provides a statement of the amounts of interest accrued on the outstanding indebtedness of the NYISO for the most recent audited fiscal period ending December 31, 2017. The NYISO's audited financial statements for the fiscal years ending December 31, 2017 and December 31, 2016 are included in Attachment IV. Attachment V provides the NYISO's latest unaudited financial statements through May 31, 2018.

²⁹ There are no amounts outstanding with respect to the following credit facilities previously approved by the Commission because such facilities have either expired or been paid off and terminated: (i) the Revolver authorized in Case 99-E-1176; (ii) the Term Loan also authorized in Case 99-E-1176; (iii) the 3-Year Term Note authorized in Case 01-E-1068; (iv) the 5-Year Term Note authorized in Case 02-E-1565; (v) the 2004-2006 Budget Facility authorized in Case 03-E-1770; (vi) the Replacement Revolver authorized in Case 05-E-0503; (vii) the 2007-2010 Budget Facility authorized in Case 06-E-1245; (viii) the 2010 Revolver authorized in Case 10-E-0160; (ix) the Construction Loan authorized in Case 10-E-0640; (x) the 2011-2013 Budget Facility authorized in Case 10-E-0160; and (xi) the Revolving Line of Credit authorized in Case 13-E-0240.

B. Book Value of the NYISO’s Utility Property [16 NYCRR §§ 37.1(b) and 31.1(f)]

The book value of the NYISO’s property and equipment as of May 31, 2018 was \$380,005,684. This value represents the “original cost” of such property and equipment, as such term is defined in 16 NYCRR § 31.1(f).

C. Amount for a Franchise [16 NYCRR § 37.1(c)]

The book value reported for the NYISO’s property and equipment does not include any amount for a franchise, consent, or right to operate as a public utility.

D. Stock Issuance [16 NYCRR § 37.1(d)]

The NYISO has not issued any stock or equity interests of any kind. This Petition does not propose for the NYISO to issue any stock or equity interests.

E. Amount of Proposed Indebtedness [16 NYCRR § 37.1(e)]

Please refer to Section II(A-C) of this Petition.

F. Purpose of Proposed Indebtedness [16 NYCRR § 37.1(f)]

Please refer to Section II(A-C) of this Petition.

G. Other Available Funds [16 NYCRR § 37.1(g)]

Please refer to Section II(E) of this Petition.

H. Finalized Loan Agreement [16 NYCRR § 37.1(h)]

Please refer to Section II(D) of this Petition.

I. Estimated Costs and Expenses of Proposed Indebtedness [16 NYCRR § 37.1(i)]

The NYISO does not yet know the final costs and expenses associated with the 2019 Senior Credit Facility because it has not yet executed a definitive loan agreement with the lenders. The Commitment Letter included in Attachment I contains a cap on the expenses incurred by the lenders that the NYISO would be obligated to reimburse for the 2019-2023

Budget Facility and 2019-2023 Revolving Line of Credit. The NYISO anticipates achieving cost savings, including reduced external legal fees and internal labor costs, with respect to the execution of an amendment to the EMS/BMS Project Facility compared to the alternative of pursuing a new financing arrangement. Such cost savings arise from eliminating the need to review and negotiate new loan documentation and the potential need for establishing a commercial relationship with a new lender(s). In addition, the fees on the 2019-2023 Budget Facility and 2019-2023 Revolving Line of Credit are lower than those on the existing credit facilities because there are no arranger or agency fees, and the rate for the upfront and unused fees are lower than those on the existing facilities. Moreover, the margin on each facility is lower than for the respective credit facility it is replacing. The NYISO anticipates that any other costs and expenses associated with the 2019-2023 Budget Facility or the 2019-2023 Revolving Line of Credit will be comparable to those associated with substantially similar credit facilities offered by other lenders and, therefore, will be commercially reasonable.

J. Securitization of Proposed Indebtedness [16 NYCRR § 37.1(j)]

All three facilities included as part of the 2019 Senior Credit Facility are unsecured. There is no mortgage or other security instrument associated with the 2019 Senior Credit Facility.

K. Planned Merger or Consolidation [16 NYCRR § 37.1(k)]

The NYISO has no plans to merge or consolidate with another organization either in connection with the 2019 Senior Credit Facility or otherwise.

L. Stockholder Consent [16 NYCRR § 37.1(l)]

The NYISO has no stockholders; therefore no such consent is required in connection with the 2019 Senior Credit Facility. However, the NYISO Board of Directors approved entering into the 2019 Senior Credit Facility on April 16, 2018.

M. Other Required Approvals [16 NYCRR § 37.1(m)]

No authorization from other public authorities is required in connection with entering into the 2019 Senior Credit Facility. The NYISO is regulated by the Federal Energy Regulatory Commission (“FERC”); however, FERC need not approve a financing that is subject to approval by a State commission, such as the Commission. *See* 16 U.S.C. § 824c(f).

N. Capitalization of Any Franchise [16 NYCRR § 37.1(n)]

The NYISO is not proposing to capitalize any franchise in connection with the 2019 Senior Credit Facility.

O. Affidavit of Principal Accounting Officer [16 NYCRR § 37.1(o)]

Attachment VI provides the verification statement and affidavit of Cheryl L. Hussey, Vice President and Chief Financial Officer of the NYISO, attesting that, among other things, the NYISO is in compliance with all applicable accounting standards.

IV. SUPPORTING ATTACHMENTS

In support of this Petition, the NYISO submits the following attachments:

1. A copy of the Commitment Letter related to the 2019-2023 Revolving Line of Credit and the 2019-2023 Budget Facility (“Attachment I”);
2. A copy of the Commitment Letters related to the extension of the EMS/BMS Project Facility (“Attachment II”);
3. Statement of Accrued Interest on Outstanding Indebtedness (“Attachment III”);
4. Copies of the NYISO’s Most Recent Audited Financial Statements (“Attachment IV”);

5. Copies of the NYISO's Most Recent Unaudited Financial Statements ("Attachment V"); and
6. Verification Statement and Affidavit of Cheryl L. Hussey, Vice President and Chief Financial Officer ("Attachment VI").

V. CONCLUSION

For the foregoing reasons, the NYISO submits that entering into the 2019 Senior Credit Facility is in the public interest and the terms and conditions relating thereto are commercially reasonable. The NYISO respectfully requests that the Commission issue an order approving this Petition on or before its October 2018 session, currently scheduled to occur on October 18, 2018, but in no event later than its November 2018 session. The NYISO is requesting approval of this Petition no later than the Commission's November 2018 session because a decision after that date will not allow the NYISO to close on the proposed credit facilities by December 31, 2018. The NYISO's existing credit facilities expire on December 31, 2018 and the NYISO will not have access to financing under those credit facilities after that date.

Dated: July 13, 2018

Respectfully submitted,

/s/ Garrett E. Bissell

Garrett E. Bissell

Senior Attorney

New York Independent System Operator, Inc.

10 Krey Blvd.

Rensselaer, New York 12144

(518) 356-6107

gbissell@nyiso.com

Attachment I

Copy of the Commitment Letter related to the 2019-2023 Revolving
Line of Credit and the 2019-2023 Budget Facility



TD Bank
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300 Franklin Street
Manchester, NH 03101

tdbank.com

May 24 2018

The New York Independent System Operator, Inc.
10 Krey Boulevard
Rensselaer, New York 12144
Attn: Cheryl Hussey, Chief Financial Officer

Re: Loan Commitment

Ladies and Gentlemen:

TD Bank, N.A. ("TDB") will make certain loan facilities available to The New York Independent System Operator, Inc. ("you," the "Borrower" or "NYISO") consisting of an unsecured revolving loan of up to \$30,000,000 outstanding at any one time ("Revolving Loan") and an unsecured delayed draw term loan of up to \$90,000,000 (the "Term Loan", and together with the Revolving Loan, the "Facilities").

The terms and conditions set forth on the Summary of Terms and Conditions attached hereto ("Summary of Terms") are hereby made a part of this Commitment Letter.

You hereby represent, warrant and covenant that (a) all information, other than Projections (defined below), which has been or is hereafter made available to TDB by you or any of your authorized representatives (or on your or their behalf) in connection with the transactions contemplated hereby (the "Information") is and will be complete and correct in all material respects and does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, taken as a whole, not materially misleading in light of the circumstances under which such statements are made, and (b) all financial projections concerning NYISO that have been or are hereafter made available to TDB by you or any of your authorized representatives (the "Projections") have been or will be prepared in good faith based upon assumptions you believe to be reasonable at the time prepared (it being understood that Projections by their nature are subject to uncertainties outside of your control and that actual results may differ). In entering into the Facilities, TDB is, and will be, using and relying on the Information and the Projections (subject to the qualifications set forth above) without independent verification thereof.

You further agree to indemnify and hold harmless TDB and its affiliates and their respective officers, directors, employees, agents, advisors and other representatives (each, an "Indemnified Party") from and against (and will reimburse each Indemnified Party as the same are incurred for) any and all actual claims, damages, penalties, liabilities and expenses (including, without limitation, the reasonable fees, disbursements and other charges of counsel) that may be incurred by or asserted or awarded against any Indemnified Party, in each case





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arising out of or in connection with or by reason of (including, without limitation, in connection with any investigation, litigation or proceeding in connection therewith) (a) any matters contemplated by this letter or (b) the Facilities except to the extent such claim, damage, penalty, liability or expense is found in a final, nonappealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct. The parties also agree that neither any Indemnified Party nor the Borrower (including its officers, directors, employees, agents, advisors and other representatives) shall have any liability (whether direct or indirect, in contract or tort or otherwise) arising out of, related to or in connection with any aspect of the transactions contemplated hereby, except to the extent of direct, as opposed to special, indirect, consequential or punitive, damages determined in a final, nonappealable judgment by a court of competent jurisdiction.

TDB agrees to treat all Information and Projections delivered or made available during the due diligence process as confidential. Disclosure will be limited to any affiliates, employees, officers, attorneys and other advisors of TDB who are or are expected to become engaged in evaluating, approving, structuring or administering the Facilities or rendering legal advice in connection therewith; provided that nothing herein shall prevent TDB from disclosing such Information and Projections: (a) upon the order or request of any court or administrative or regulatory agency or authority; (b) to the extent that such Information or Projections have been publicly disclosed; or (c) otherwise as required by law. TDB agrees to execute any confidentiality or non-disclosure agreements reasonably required by NYISO.

You acknowledge and agree that (a) this Commitment Letter and the Facilities outlined herein reflect an arm's-length commercial transaction between you, on the one hand, and TDB, on the other hand, and you are capable of evaluating and understanding, and understand and accept, the terms, risks and conditions of the transactions contemplated by this Commitment Letter; (b) in connection with the process leading to such transactions, TDB is and has been acting solely as a principal and is not the financial advisor, agent or fiduciary, for you or any of your creditors or employees or any other party; (c) TDB has not assumed and will not assume an advisory, agency or fiduciary responsibility in your favor with respect to any of the transactions contemplated hereby or the process leading thereto and TDB has no obligation to you with respect to the transactions contemplated hereby except those obligations expressly set forth in this Commitment Letter; and (d) TDB has not provided any legal, accounting, regulatory or tax advice with respect to any of the transactions contemplated hereby and you have consulted your own legal, accounting, regulatory and tax advisors to the extent you have deemed appropriate.

By executing this Commitment Letter, you agree to reimburse TDB from time to time, within thirty (30) days of demand for all reasonable and documented third-party out-of-pocket fees and expenses incurred in connection with this Commitment Letter including, but not limited to, (a) the reasonable fees, disbursements and other charges of Barclay Damon, LLP, as counsel to TDB in connection with the Facilities, and (b) the reasonable and documented due diligence expenses incurred in connection with the Facilities, the preparation of the definitive documentation therefor and the other transactions contemplated hereby; provided, however, that TDB shall not be entitled to reimbursement of any such fees and expenses in excess of the amount set forth in the Summary of Terms under "Expenses" unless approved by you, such approval not to be unreasonably withheld.



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This Commitment Letter and the contents hereof are confidential and, except for disclosure hereof on a confidential basis to your accountants, attorneys and other professional advisors retained by you in connection with the Facilities or as otherwise required by law, may not be disclosed in whole or in part to any person or entity without TDB's prior written consent; provided, however, it is understood and agreed that you may disclose this Commitment Letter (including the Summary of Terms) after NYISO's acceptance of this Commitment Letter, in filings with any applicable regulatory authorities whether or not such filings are made on a confidential basis. TDB hereby notifies you that pursuant to the requirements of the USA PATRIOT Act, Title III of Pub. L. 107-56 (the "Act"), TDB is required to obtain, verify and record information that identifies you, which information includes your name and address and other information that will allow TDB to identify you in accordance with the Act.

The provisions of the immediately preceding six paragraphs shall remain in full force and effect regardless of whether any definitive documentation for the Facilities shall be executed and delivered, and notwithstanding the termination of this Commitment Letter. Notwithstanding anything contained herein to the contrary, your obligations and liabilities under this Commitment Letter, other than your obligation of confidentiality, to the extent superseded by the applicable provisions of the loan documentation pertaining to the Facilities shall automatically terminate at the earlier of (i) the time of the closing of the Facilities and (ii) a final determination by the State of New York Public Service Commission rejecting NYISO's petition for authority to enter into the Facilities, which NYISO, in its reasonable judgment, elects not to appeal. This Commitment Letter may be executed in counterparts which, taken together, shall constitute an original. Delivery of an executed counterpart of this Commitment Letter by telecopier or facsimile shall be effective as delivery of a manually executed counterpart thereof.

This Commitment Letter shall be governed by, and construed in accordance with, the internal laws of the State of New York without resort to principles of conflicts of law. You and TDB hereby irrevocably waive any and all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Commitment Letter, the transactions contemplated hereby and thereby or the actions of TDB in the negotiation, performance or enforcement hereof. Other than the six paragraphs referenced above, the commitments and undertakings of TDB may be terminated if you fail to perform your obligations under this Commitment Letter. Also, other than the six paragraphs referenced above, the commitments and undertakings of TDB and NYISO shall terminate upon the earlier of: (i) the execution and delivery of definitive documentations with respect to the Facilities, and (ii) a final determination by the State of New York Public Service Commission rejecting NYISO's petition for authority to enter into the Facilities, which NYISO, in its reasonable judgment, elects not to appeal.

This Commitment Letter together with the Summary of Terms, embody the entire agreement and understanding among TDB and you with respect to the Facilities and supersedes all prior agreements and understandings relating to the specific matters hereof. This Commitment Letter does not include all the terms and conditions that will be covered in the definitive loan documentation for the Facilities, but it does state the essential business terms for the Facilities. It is agreed that no party has been authorized by TDB or NYISO to make any oral or written



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statements that are inconsistent with this Commitment Letter. This Commitment Letter is not assignable by NYISO without TDB's prior written consent and is intended to be solely for the benefit of the parties hereto and the Indemnified Parties.

This offer will expire at 5:00 p.m. New York time on May 25, 2018 ("Acceptance Date") unless you execute this Commitment Letter and return it to us prior to that time, whereupon this Commitment Letter (which may be signed in one or more counterparts) shall become a binding agreement. Thereafter, subject to any additional termination provisions herein, this Commitment Letter will expire on December 31, 2018 unless definitive documentation for the Facilities is executed and delivered prior to such date.

As further consideration of the time and resources that TDB will devote to the Facilities, you agree that, until such expiration, you will not solicit, initiate, entertain or permit, or enter into any discussions in respect of, any offering, placement or arrangement of any competing credit facility for NYISO.

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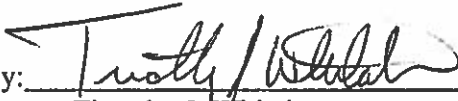
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We are pleased to have the opportunity to again work with you in connection with this important financing.


Very Truly Yours,

TD BANK, N.A.

By: 
Timothy J. Whitaker
Director

ACCEPTED AND AGREED TO AS
OF THE 24 DAY OF MAY, 2018

THE NEW YORK INDEPENDENT SYSTEM
OPERATOR, INC.

By: 
Cheryl Hussey
Chief Financial Officer



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**SUMMARY OF TERMS AND CONDITIONS
THE NEW YORK INDEPENDENT SYSTEM OPERATOR, INC.
\$50,000,000 Revolving Line of Credit and
\$100,000,000 Delayed Draw Term Loan Facilities**

BORROWER: The New York Independent System Operator, Inc.

LENDER: TD Bank, N.A. ("TDB")

EFFECTIVE DATE OF FINANCING: January 1, 2019

FACILITIES: There are two loan facilities, the Revolving Line of Credit Facility and the Delayed Draw Term Loan Facility (each, a "Facility" and collectively, the "Facilities").

FACILITY 1

REVOLVING LINE OF CREDIT:

An aggregate amount of up to \$30,000,000 outstanding at any one time to be available upon the terms and conditions set forth herein. An additional \$20,000,000 may be available during the term of Facility 1 subject to TDB approval and further provided that: (i) if approval is granted, Borrower may exercise this feature no more than twice during the term, (ii) no event of default or event which but for the passage of time, the giving of notice or both exists and no material adverse change shall have occurred since the date on which the Facilities have closed (the "Closing Date"), (iii) the maturity date of any increase in Facility 1 shall match that of the existing maturity date and (iv) the increase in Facility 1 shall be on substantially the same terms.

PAYMENTS: Monthly interest only payments prior to maturity.

MATURITY: December 31, 2023

PURPOSE: The proceeds of the Revolving Line of Credit shall be used to: (i) replace the existing \$50,000,000 revolving line of credit facility with KeyBank National Association as Administrative Agent which has a maturity date of December 31, 2018; (ii) support the liquidity needs of the markets administered by Borrower; and (iii) fund temporary cash flow/timing differences for operating activities of Borrower.

INTEREST RATE: As selected by Borrower, interest shall be either at the Prime



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Rate plus 0% or, for LIBOR loans, interest shall be determined for an interest period of overnight, one week, or one, two, three or six months, as selected by the Borrower, and based on LIBOR plus an applicable margin of 60 basis points.

Interest on this Facility 1 shall be computed on a 360-day year and shall be payable monthly on the earliest of (i) the last day of each applicable interest period or (ii) on the date Facility 1 is paid in full.

As used herein for all Facilities: (i) LIBOR means the London Interbank Offered Rate (adjusted for statutory reserve requirements) for the corresponding deposits of U.S. Dollars quoted by major banks in London and appearing on the applicable Reuters Screen for the corresponding deposits of U.S. Dollars or, if such source is unavailable, such other alternate source selected by TDB to determine such rate on the day that is two London banking days prior to the start of each Interest Period and (ii) Prime Rate means the rate of interest per annum equal to the greater of (a) the rate published from time to time by *The Wall Street Journal* as the U.S. Prime Rate or in the event *The Wall Street Journal* ceases publication of Prime Rates, the Prime, base, reference or other rate designated by TDB in its sole discretion for general commercial loan reference purposes or (b) one percent (1%) in excess of the Federal Funds Rate.

In the event that LIBOR is no longer available or utilized as an interest rate setting mechanism, TDB will provide an alternative index for use in calculating the applicable interest rate hereunder.

Interest on the Revolving Line of Credit shall be computed on a 360-day year and shall be payable monthly for the actual number of days elapsed, which will result in a higher effective annual rate. Additionally, the loan documents for the Facilities will contain customary and reasonable provisions related to increased costs, capital adequacy and yield protection, withholding and other taxes, and legality.

FEES:

The following fees in connection with Facility 1 are payable to TDB:

Upfront Fees payable in full on the Closing Date in an amount equal to 7.5 basis points of the total commitment for the Revolving Line of Credit.





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Unused Fees are payable quarterly in arrears on the first day of each calendar quarter in an amount equal to 10 basis points on the unused portion of the total commitment for the Revolving Line of Credit in effect for the applicable quarter.

FACILITY 2

**DELAYED DRAW TERM
LOAN:**

An aggregate principal amount of up to \$90,000,000.

DRAWS/MATURITY:

Drawings to fund capital expenditures will be available until December 31, 2023 (the "Draw Period"). Draws may commence January 1, 2019. Interest only payments will be required during the calendar year on amounts drawn during such year. Commencing January 1 of the year following any calendar year when a draw or draws have been made, all draws outstanding as of the end of said calendar year shall be aggregated and converted to a term loan (each, a "Term-Out Loan"), and each Term-Out Loan will have a three-year maturity (commencing on January 1 of the year such Term-Out Loan is made). Payments shall commence on January 31 of the first calendar year of each Term-Out Loan and shall continue on the last day of each month thereafter, Borrower shall make 36 nearly equal consecutive monthly payments of principal, plus accrued interest so that each Term-Out Loan is fully repaid within three years from inception.

As Borrower repays principal during the Draw Period, the amount available for drawings will increase by the amount of said payments. For clarity purposes, if during calendar year 2019 TDB funds an aggregate of \$36,000,000 of drawings, on January 1, 2020, that amount will be automatically converted into a Term-Out Loan in the amount of \$36,000,000 and Borrower will begin making principal payments in the amount of \$1,000,000 on the last day of each month together with interest commencing January 31, 2020 and as the principal balance of the Term-Out Loan is repaid, the amount repaid will be restored to the sum available for subsequent drawings.

PURPOSE:

To provide funding for capital investments, software development projects and other strategic initiatives in support of the Borrower's responsibility for maintaining and enhancing the reliable, safe and efficient operation of the New York State transmission system and promoting and operating a fair and competitive wholesale market for electricity in New York State.



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INTEREST RATE:

As selected by Borrower, interest shall be either at the Prime Rate plus 0% or, for LIBOR loans, interest shall be determined for an interest period of overnight, one week or one, two, three or six months and based on LIBOR plus an applicable margin of 67.5 basis points.

In the event that LIBOR is no longer available or utilized as an interest rate setting mechanism, TDB will provide an alternative index for use in calculating the applicable interest rate hereunder.

Interest on this Facility 2 shall be computed on a 360-day year and shall be payable monthly on the earliest of (i) the last day of each applicable interest period and (ii) on the date Facility 2 and all of the Term-Out Loans are paid in full.

FEES:

The following fees in connection with Facility 2 are payable to TDB:

Upfront Fees are payable in full on the Closing Date based on 7.5 basis points on the total commitment for the Delayed Draw Term Loan.

Unused Fees are payable quarterly in arrears on the first day of each calendar quarter based on 10 basis points on the unused portion of the total commitment for the Delayed Draw Term Loan in effect for the applicable quarter.

PROVISIONS APPLICABLE TO ALL FACILITIES

COLLATERAL:

No collateral for any of the Facilities is required. The Loan Documentation will contain a negative pledge against encumbrances on assets other than existing encumbrances and other customary permitted encumbrances.

CLOSING DATE:

The execution of definitive loan documentation, including satisfactory legal opinions and other customary closing documents, (collectively, the "Loan Documentation") to occur on or before December 31, 2018 (the "Closing Date").

DEFAULT RATE/LATE PAYMENT CHARGE:

Upon the occurrence and during any continuance of any Event of Default, the applicable interest rate shall increase by 200 basis points. A late charge of 4% of any payment not received within fifteen (15) days of when due will be required.



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PREPAYMENT:

The Loans may be prepaid in full without prepayment charge or premium except for any applicable Breakage Costs described below:

In the event of (a) the payment of any principal of a Loan other than on the last day of the interest period applicable thereto (including as a result of an Event of Default and whether by voluntary prepayment, acceleration or otherwise), (b) the conversion or continuation of a Loan other than on the last day of the interest period applicable thereto, or (c) the failure by the Borrower to borrow, prepay, convert or continue any Loan on the date specified in any applicable notice (regardless of whether such notice is withdrawn or revoked), then, in any such event, the Borrower shall indemnify TDB, and hold TDB harmless from any and all Breakage Costs which TDB may sustain or incur as a consequence thereof, and shall compensate TDB, within fifteen (15) Business Days after written demand from TDB, for Breakage Costs attributable to such event which Breakage Costs shall be deemed to include an amount determined by TDB to be the excess, if any, of (A) the amount of interest that would have accrued on the principal amount of such Loan if such event had not occurred at the LIBOR rate applicable to such Loan for the period from the date of such event to the last day of the then current interest period therefor (or in the case of a failure to borrow, convert or continue, for the period that would have been the interest period for such Loan) over (B) the amount of interest that would accrue on the principal amount of such Loan for the same period if the LIBOR rate were set on the date such Loan was prepaid or converted or the date on which the Borrower failed to borrow, convert or continue such Loan. A certificate as to any additional amount payable under this provision submitted to the Borrower by TDB shall be conclusive, absent manifest error.

**FINANCIAL
COVENANTS/RATIOS:**

None. Creditworthiness Requirements for Customers as set forth in The ISO Open Access Transmission Tariff and The ISO Market Administration and Control Area Services Tariff to be maintained.

**CONDITIONS
PRECEDENT TO
CLOSING:**

The closing of the Facilities will be subject to satisfaction of the conditions precedent deemed appropriate by TDB. The definitive agreement or agreements with respect to the Facilities shall contain customary and reasonable conditions precedent,



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including, but not limited to, the following:

- i. Delivery of Loan Documentation satisfactory to the Borrower and TDB, including, without limitation, a satisfactory opinion from counsel to the Borrower regarding usual and customary matters and specifically including PSC approval of the borrowing of the Facilities.
- ii. There shall not have occurred a material adverse change (x) in the business, assets, properties, liabilities (actual or contingent), operations, condition (financial or otherwise) or prospects of the Borrower since December 31, 2017 or (y) in the facts and information regarding such entity as represented to date.
- iii. The absence of any action, suit, investigation or proceeding pending or, to the knowledge of the Borrower, threatened in any court or before any arbitrator or governmental authority that could reasonably be expected to (x) have a material adverse effect on the business, assets, properties, liabilities (actual and contingent), operations, condition (financial or otherwise) or prospects of the Borrower, (y) adversely affect the ability of the Borrower to perform its obligations under the Loan Documentation or (z) adversely affect the rights and remedies of TDB under the Loan Documentation (collectively, a "Material Adverse effect").

Borrower shall provide the following items to TDB at least ten (10) days prior to the Closing Date:

INSURANCE:

Insurance policies or certificates evidencing same, in amounts and with insurers acceptable to TDB, cancelable only upon thirty (30) days prior written notice to TDB, and providing:

- (a) Extended coverage casualty insurance providing for a mandatory 30-day notice to TDB of cancellation;
- (b) Public liability and property damage insurance in amounts acceptable to TDB naming TDB as an additional insured party; and
- (c) Workers' Compensation insurance.

The Loan Documentation will be based on the Borrower's current loan documents with





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KeyBank National Association evidencing the Borrower's existing revolving credit and delayed draw term loan facilities and will include, without limitation, the following provisions:

**CONDITIONS
PRECEDENT TO ALL
BORROWINGS:**

Usual and customary for transactions of this type, to include without limitation: (i) all representations and warranties are true and correct as of the date of each borrowing and (ii) no event of default under any definitive loan agreement governing the Facilities or incipient default has occurred and is continuing, or would result from such borrowing.

**REPRESENTATIONS AND
WARRANTIES:**

Usual and customary for transactions of this type, to include without limitation: (i) corporate existence and status; (ii) corporate power and authority, enforceability; (iii) no violation of law, contracts or organizational documents; (iv) no material litigation; (v) accuracy and completeness of specified financial statements and no material adverse change; (vi) all required governmental or third party approvals or consents obtained; (vii) use of proceeds and not engaging in business of purchasing/carrying margin stock; (viii) status under Investment Company Act; (ix) ERISA matters; (x) environmental matters; (xi) tax matters; (xii) ownership of property and insurance matters; (xiii) accuracy of disclosures made to TDB; (xiv) compliance with laws; and (xv) no default.

COVENANTS:

Usual and customary for transactions of this type, to include without limitation: (i) delivery of audited financial statements within 120 days of fiscal year-end, and company prepared quarterly financial statements within 45 days of the end of each fiscal quarter, compliance certificates and notices of default, material litigation, material governmental proceedings or material, ERISA and environmental proceedings and material changes in accounting or financial reporting practices; (ii) compliance with laws and material contractual obligations; (iii) payment of obligations; (iv) preservation of existence; (v) maintenance of books and records and inspection rights; (vi) maintenance of insurance; and (vii) limitation on liens, mergers, acquisitions and joint ventures, sales of assets and incurrence of debt.

EVENTS OF DEFAULT:

Usual and customary in transactions of this type, with cure periods and carve-outs to be mutually agreed upon, to include without limitation: (i) nonpayment of principal when due, or interest, fees or other amounts within five (5) Business Days of





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when due; (ii) any representation or warranty proving to have been incorrect when made or confirmed; (iii) failure to perform or observe covenants set forth in the Loan Documentation within a specified period of time, where customary and appropriate, after such failure; (iv) cross-default to other indebtedness; (v) bankruptcy and insolvency defaults (with grace period for involuntary proceedings); (vi) monetary judgment defaults in an amount to be agreed; (vii) actual or asserted invalidity of any Loan Documentation; (viii) change in governmental approvals or Borrower's tariffs which could have a material adverse effect on the business assets, liabilities (actual or contingent), operations, condition (financial or otherwise) or prospects of the Borrower and which is, in TDB's reasonable judgment, materially adverse to the interests of TDB in connection with the Facilities; (ix) change in approvals or tariffs or FERC or PSC filings or actions which could have a Material Adverse Effect; and (x) customary ERISA defaults.

ASSIGNMENTS:

TDB will be permitted to make assignments in respect of the Facilities in a minimum amount equal to \$5,000,000 and increments of \$1,000,000 above such minimum amount or the entire amount of the Facilities to other financial institutions approved, so long as no Event of Default has occurred and is continuing, by the Borrower, which approval shall not be unreasonably withheld or delayed; provided, however, that the approval of the Borrower shall not be required in connection with assignments to any affiliate of TDB.

TDB will have the right, without consent of the Borrower, to assign as security all or part of its rights under the Loan Documentation to any Federal Reserve Bank.

GOVERNING LAW:

State of New York.

EXPENSES:

The Borrower will pay on demand all reasonable and documented third-party costs and expenses associated with the preparation, due diligence, administration, syndication and closing of all Loan Documentation, including, without limitation, the reasonable legal fees and expenses of counsel to TDB, regardless of whether or not the Facilities are closed; provided however, the aggregate amount of all such expenses shall not exceed \$35,000.00, unless approved by the Borrower, such approval not to be unreasonably withheld. The Borrower will also pay on demand the reasonable third-party expenses of TDB in connection with the enforcement of any Loan Documentation.





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OTHER:

Each of the parties shall (i) waive its right to a trial by jury and (ii) submit to New York jurisdiction.

Attachment II

Copy of the Commitment Letters related to the extension of the
EMS/BMS Project Facility

William B. Palmer
Senior Vice President
Commercial Banking Division
Phone: 518-257-8586
Fax: 518-257-8587
E-Mail: william_b_palmer@keybank.com



June 27, 2018

Cheryl L. Hussey
Chief Financial Officer
The New York Independent System Operator, Inc.
10 Krey Blvd.
Rensselaer, NY 12144

Re: Loan Extension Approval- Amended and Restated Term Credit Agreement dated
March 18, 2016 (the "Agreement")

Dear Ms. Hussey:

Confirming our recent conversations, KeyBank National Association has approved a **one year extension** of the Ranger Term Line Maturity Date (as defined in the Agreement). This approval, in effect, extends the expiration of the allowable draw period for the Ranger Term Line (also known as the EMS/BMS credit facility), in the original maximum principal amount of \$30,000,000, from December 31, 2018 to December 31, 2019. It also extends the maturity of the final three year term loan to December 2022. **All other terms and conditions as set forth in the existing loan documents are unchanged.**

A copy of the approval letter from the participating bank, TD Bank, is included for reference.

Sincerely,

A handwritten signature in black ink that reads "William B. Palmer".

William B. Palmer
Senior Vice President



TD Bank
America's Most Convenient Bank®
300 Franklin Street
Manchester, NH 03101

tdbank.com

June 27, 2018

KeyBank National Association
4900 Tiedeman Road
OH-01-49-0114
Brooklyn, OH 44114

The New York Independent System Operator, Inc.
10 Krey Boulevard
Rensselaer, NY 12144

Re: Loan Extension Approval - Amended And Restated Term Credit Agreement dated March 18, 2016 (the "Agreement")

KeyBank National Association, as agent (the "Agent") and The New York Independent System Operator, Inc. ("Company"):

TD Bank, N.A. (the "Lender") is pleased to confirm its commitment to provide the Company with an extension of the Ranger Term Line Maturity Date (as defined in the Agreement) for a one year period. This commitment is subject to documentation in form and substance satisfactory to the Lender.

The Lender acknowledges that it has made its own credit analysis and made its own decision to enter into this commitment, independently and without reliance upon the Agent or any of its affiliates. Neither the Agent nor any of its affiliates shall have any liability or responsibility to the Lender if the Lender's commitment is not accepted or closed.

This letter is solely for the benefit of the Agent and the Company and no other person shall obtain any rights hereunder or be entitled to rely on, or claim reliance upon, this commitment.

Sincerely,

TD Bank, N.A.

By: 

Name: Timothy J. Whitaker

Title: Director

Doc #02-611253.1



Attachment III

Statement of Accrued Interest on Outstanding Indebtedness

**NYISO
STATEMENT OF FINANCIAL CONDITION
ACCRUED INTEREST ON INDEBTEDNESS**

<i>At May 31, 2018:</i>			
Facility	Interest Rate	Outstanding Principal	Accrued Interest
Replacement Revolver	2.782%	\$ 12,800,000	\$ 30,664
2014-2018 Budget Facility	2.250% - 4.076%	\$ 38,914,211	\$ 115,225
EMS/BMS Project Facility	2.070% - 2.857%	\$ 16,749,167	\$ 35,546
Infrastructure Master Plan Loan	4.149% - 4.157%	\$ 34,843,165	\$ 124,499
Mortgage and Renovations Loan	5.790% - 5.960%	\$ 12,735,093	\$ 64,345
Totals		\$ 116,041,635	\$ 370,280

Attachment IV

Copies of the NYISO's Most Recent Audited Financial Statements

– uploaded as a separate file –

Attachment V

Copies of the NYISO's Most Recent Unaudited Financial Statements



STATEMENT OF FINANCIAL POSITION

AS OF MAY 31, 2018 AND 2017

UNAUDITED

	<u>05/31/18</u>	<u>05/31/17</u>
<u>ASSETS:</u>		
<i><u>Current Assets:</u></i>		
Cash and Cash Equivalents	\$ 41,243,437	\$ 40,533,261
Restricted Cash	273,508,822	274,704,754
Marketable Securities	1,223,552	890,724
Accounts Receivable, net	48,259,791	75,997,578
Prepaid Expenses	10,273,503	10,641,754
Regulatory Assets - current portion	7,748,102	1,783,242
	382,257,207	404,551,313
<i><u>Long-Term Assets:</u></i>		
Regulatory Assets - noncurrent portion	20,122,395	16,623,844
Property and Equipment, net	107,534,491	107,531,606
Other Noncurrent Assets	3,205,760	3,629,877
	-	-
TOTAL ASSETS:	\$ 513,119,853	\$ 532,336,640
<u>LIABILITIES AND NET ASSETS:</u>		
<i><u>Current Liabilities:</u></i>		
Accounts Payable and Accrued Expenses	\$ 107,454,583	\$ 94,486,466
Market Participant Security Deposits	204,044,442	239,867,084
Working Capital Reserve	33,471,366	33,147,064
Market Participant Prepayments	3,239,093	7,221,306
Long-Term Debt - current portion	31,058,691	28,756,089
Regulatory Liabilities - current portion	5,152,845	6,389,803
Deferred Revenue - current portion	13,451,719	15,211,954
Short-Term Debt	12,800,000	6,000,000
Other Current Liabilities	1,590,182	1,329,794
	412,262,921	432,409,560
Total Current Liabilities:	412,262,921	432,409,560
<i><u>Long-Term Liabilities:</u></i>		
Pension and Postretirement Benefit Liabilities	17,087,268	12,281,432
Regulatory Liabilities - noncurrent portion	2,871,584	4,178,869
Other Noncurrent Liabilities	9,014,547	6,519,252
Long-Term Debt	71,883,533	76,947,527
	-	-
TOTAL LIABILITIES:	513,119,853	532,336,640
UNRESTRICTED NET ASSETS:	-	-
TOTAL LIABILITIES AND NET ASSETS:	\$ 513,119,853	\$ 532,336,640



**YTD STATEMENT OF ACTIVITIES
FOR PERIODS ENDING MAY 31, 2018 AND 2017**

UNAUDITED

	For the period 05/31/18	For the period 05/31/17
<u>REVENUES:</u>		
Rate Schedule 1 tariff charge	\$ 67,906,743	\$ 66,373,566
Federal Energy Regulatory Commission fee recovery	5,583,334	5,208,333
Planning studies revenue	5,474,878	3,766,719
Fees and services	426,702	402,456
Interest income	392,038	172,151
TOTAL REVENUES	\$ 79,783,695	\$ 75,923,225
<u>OPERATING EXPENSES:</u>		
Compensation and related benefits	\$ 38,353,093	\$ 36,223,174
Professional fees and consultants	13,906,197	10,559,616
Maintenance, software licenses and facility costs	8,249,726	8,273,357
Depreciation	8,156,314	9,559,207
Federal Energy Regulatory Commission fees	5,583,333	5,208,333
Administrative and other expenses	1,913,658	1,860,653
Interest expense	1,812,022	1,569,505
Telecommunication expenses	1,247,506	1,249,592
Insurance expense	1,154,717	1,201,633
Training, travel, and meeting expenses	663,891	605,526
Northeast Power Coordinating Council fees	108,579	117,178
Change in fair value of marketable securities (gains) losses	(11,419)	(53,885)
Change in fair value of interest rate swaps	(1,353,922)	(450,664)
TOTAL OPERATING EXPENSES	79,783,695	75,923,225
Change in unrestricted net assets	\$ -	\$ -
Unrestricted net assets, beginning of year	-	-
Unrestricted net assets, end of year	\$ -	\$ -

STATEMENT OF CASH FLOWS
FOR PERIODS ENDING MAY 31, 2018 AND 2017

UNAUDITED

	For the period 5/31/2018	For the period 5/31/2017
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in net assets	\$ -	\$ -
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,156,314	9,559,207
Amortization of debt issuances cost	30,304	36,815
Unrealized (gain) loss on marketable securities	(11,419)	(53,885)
Change in operating assets and liabilities:		
Restricted cash	128,965,637	146,228,609
Accounts receivable and prepaid expenses	(43,694,299)	(73,153,930)
Marketable Securities	(114,482)	(116,306)
Accounts payable and accrued expenses	6,071,269	(91,336,236)
Market participant prepayments and security deposits	(97,398,238)	3,525,549
Working capital reserve	(56,554)	(1,650)
Other assets	(6,880,505)	(1,546,635)
Other liabilities	7,473	(4,399,260)
Net cash (used in) provided by operating activities	\$ (4,924,500)	\$ (11,257,723)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Acquisition of property and equipment	(4,747,816)	(6,528,308)
Proceeds on disposition of assets		-
Net cash used in investing activities	\$ (4,747,816)	\$ (6,528,308)
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Proceeds from revolving credit facilities	12,800,000	6,000,000
Net proceeds from 2018 budget facility	5,000,000	-
Net proceeds from 2017 budget facility	-	15,000,000
Net proceeds from EMS/BMS	4,500,000	-
Repayment of EMS/BMS facility	(2,337,500)	(934,722)
Repayment of 2017 budget facility	(3,426,528)	-
Repayment of 2016 budget facility	(3,996,927)	(3,472,222)
Repayment of 2015 budget facility	(1,030,701)	(4,385,051)
Repayment of 2014 budget facility	-	(672,022)
Repayment of 2011 Infrastructure Loan	(1,102,632)	(1,102,632)
Repayment of Mortgage & renovation loans	(528,210)	(498,172)
Net cash provided by (used in) financing activities	\$ 9,877,502	\$ 9,935,179
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 205,186	\$ (7,850,852)
Cash and Cash Equivalents, beginning of period	\$ 41,038,251	\$ 48,384,113
Cash and Cash Equivalents, end of period	\$ 41,243,437	\$ 40,533,261

Attachment VI

Verification Statement and Affidavit of Cheryl L. Hussey, Vice
President and Chief Financial Officer

**STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

**Petition of the New York Independent System
Operator, Inc. for Authority to Incur Indebtedness
for a Term in Excess of Twelve Months Pursuant
to Section 69 of the Public Service Law**

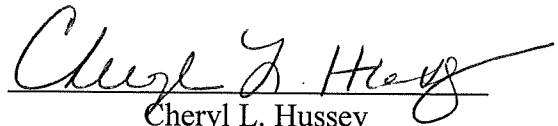
Case 18-E-_____

VERIFICATION STATEMENT AND AFFIDAVIT

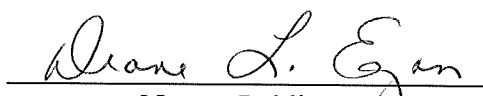
STATE OF NEW YORK)
)
COUNTY OF RENSSELAER)

Cheryl L. Hussey, being duly sworn, deposes and says:

1. I am the Vice President and Chief Financial Officer of The New York Independent System Operator, Inc. ("NYISO").
2. The accounts of the NYISO have been kept strictly in accordance with the accounting orders of the New York State Public Service Commission applicable thereto. Since the effective date of such orders there have been no charges to asset accounts not in accordance therewith. All required credits to such asset accounts have been made for the amount and in the manner prescribed in such accounting orders.
3. I have read the foregoing Petition and know the contents thereof. All of the facts asserted in the Petition are true and accurate to the best of my knowledge.


Cheryl L. Hussey
Vice President and Chief Financial Officer

Subscribed and sworn to before me this
13th day of July, 2018



Notary Public

DIANE L. EGAN
Notary Public, State of New York
Qualified in Schenectady County
No. 4924890
Commission Expires March 21, 2022