



July 25, 2017

Via Email

New York Independent System Operator
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Re: Comments from NYPA and NYSEG, Sponsors of Western NY Energy Link (T013)

NYPA and NYSEG appreciate the opportunity to provide the following comments and questions related to NYISO's Western NY Public Policy Transmission Report presented at the July 20, 2017 joint ESPWG/TPAS working group meeting (July 20 Report) and the related draft report dated June 30, 2017 (June 30 Draft Report). Our comments are organized in the order of the evaluation categories set forth in the chart at page 63 of the July 20 Report.

We request answers from the NYISO in writing with written supporting material. Considering that several pieces of the analysis required for a full review have not yet been provided, we believe the current comment schedule does not provide sufficient time for stakeholders' review and comment and also does not allow NYISO staff sufficient time to respond to comments presented at the July 20 meeting and in the subsequent written comments.

1. Independent Capital Cost Estimates

- a. Information Request: At the July 20 meeting, we formally requested the detailed SECO estimates that include the estimate breakdown in the most detailed form that SECO provided to NYISO. This amount of detail should be at a minimum the same level of breakdown as was requested from the developers. For example, we would like to know the breakdown of different estimate components for both the Dysinger and Stolle Road substations. This will show if all developers have included in their proposals the associated cost for interconnection to both the Dysinger and Stolle Road substations. among the Tier 1 proposals so that we can evaluate the differences between the proposals for similar substation designs. We would also like a breakout of the MOB/DEMOB, Engineering, Permitting, T&C, PM and Indirect line items. The requested detail is not limited to the examples provided above. The assumptions made for the estimate components, including how contingency was applied by line item, should also be provided. We do not believe the detailed SECO estimates are confidential as they were prepared independently and do not contain the commercially sensitive estimates prepared by each developer. Should commercially sensitive information be included in the SECO work products, then that information, and only that information, should be redacted.
- b. Project Scopes: Please explain how NYSEG's local reliability criteria is satisfied with T006, T014, and T015 project designs, especially with respect to the Stolle Road interconnection. Adding a new line to Stolle Road substation would require the station to be built out to a breaker and a half design. It should be clear that each developer's project must meet the Connecting Transmission Owner's local interconnection requirements, along with any other applicable design requirements, on its own



when submitted, and SECO should not make changes to a project that violates applicable interconnection requirement to help a developer satisfy these requirements. The basic interconnection requirements applicable to Stolle Road are central to each project design and should not be treated as additional risks to a project with an incomplete interconnection system impact study (SIS).

- c. Co-Location of Gas Transmission: There are two gas transmission lines, one owned by National Fuel and one by NYSEG that cross both NYPA and NYSEG's rights of way in the vicinity of the Somerset tap. Please indicate whether any of the proposals are affected by these gas facilities and provide the GPS locations for the Dysinger substation sites for T006, T014, and T015. We believe proposed placement of a new switching station facility over or in close proximity of a gas pipeline is a matter that calls into question project feasibility rather than an issue that can simply be addressed as a risk factor, as described by SECO in the July 20 ESPWG meeting. Again, projects should not get design help from SECO in siting their proposed facilities. If a project's proposed substation is found to interfere with the existing location of gas transmission lines, requiring a new location for the substation, that project should be deemed infeasible and rejected.
- d. Wood Pole Design: The wood pole design proposed in projects T014 and T015 should be rejected for the following reasons.
 - i. NYPA notes wood poles are prone to failure and degradation in an environment with extreme weather, such as found in Western New York State. Resiliency and reliability are key factors in good utility system design, and the wood pole design raises significant electric system reliability issues. In fact, the Governor's NYS 2100 Commission recommended that existing wood poles be replaced with steel towers in order to strengthen New York's electric system.¹ Central Hudson Gas and Electric Corporation also has a policy of replacing wood poles with steel when rebuilding assets.² Accordingly, NYPA contends using wood poles for new 345kV bulk power transmission line construction is not a best practice to ensure a resilient electric system.
 - ii. Moreover, we believe it is likely the DEC will not allow wood poles to be used in wetland areas, which are prevalent in the NYSEG ROW where the project is proposed. In DEC permits that NYPA has received to maintain its existing wood-pole transmission facilities, the DEC has stated that treated wood poles should be moved outside wetland areas as much as possible and are prohibited from being installed in wetlands unless certain mitigation measures are taken.³ Please indicate whether NYISO or SECO conferred with DEC in the project evaluations, specifically concerning the use of wood poles along the ROW. If not, we encourage NYISO to discuss with the DEC the proposed use of wood poles, particular along the ROW portions that are in or near wetlands. The re-route of lines to eliminate wood poles in areas in or near wetlands or the replacement of wood poles with steel in those areas would likely have a significant impact on costs and/or require new ROW.

¹ See, <http://www.governor.ny.gov/sites/governor.ny.gov/files/archive/assets/documents/NYS2100.pdf>, at pp. 84-85.

² See, https://www.cenhud.com/pdf/Central_Hudson_Sustainability_Report_2014.pdf, at p. 20.

³ NYPA DEC permit is available to the NYISO or SECO upon request.



- iii. Finally, wood poles have higher maintenance costs, which customers will pay, and a shorter lifespan than steel structures. These lifetime costs, like revenue requirement, should be considered as a sensitivity, as described below.

 - e. Contingency Treatment: Using a standard contingency percentage across projects and project elements is inappropriate and unfairly discriminates against projects that are further along in development. Instead, the contingency applied to each project element should differ depending on the level of certainty or risk related to that project element. For example, a project that does not have a completed SIS has greater potential to be required to incur costs related to additional scope items (as acknowledged in the July 20 Report), than a project, such as T013, that has completed the SIS process. Similarly, a project that proposes to make use of property not owned by the developer (who therefore would be unfamiliar with the underlying soil condition or presence of other infrastructure), whether it be property comprising an existing ROW or greenfield property, should reflect in the project's contingency costs that may be incurred due to (1) risks of unknown surface and subsurface issues that will raise cost and cause delay, and (2) transaction costs and delay associated with acquiring such property from the current owner. A project, such as T013, that possesses virtually all required property and whose developers have extensive knowledge regarding its condition and subsurface status should have very little contingency associated with this project element. In addition, projects proposed by developers that have never constructed transmission infrastructure in New York State should have a higher contingency than a project undertaken by an entity with extensive construction history and understanding of system outage and operation impacts in New York. Failing to accurately reflect the risk profile differences faced by different developers penalizes developers that have expended the time and resources to bring their projects to an advanced stage of development and that have extensive construction, outage and system operation experience in New York, relative to other projects.

 - f. Treatment of Property Rights: As discussed in section 2(a), cost is impacted by the required regulatory filings and transaction costs, including time, associated with transferring utility rights of way to a non-incumbent developer. Furthermore, cost is impacted if a developer is required to obtain additional property rights from underlying land owners for parcels that are held by the incumbent via an easement, or is required to undertake condemnation procedures. NYPA ROW has its own significant cost implications, as discussed below.

 - g. Revenue Requirement Comparison: A revenue requirement comparison between the developers would be informative. The tariff does not prohibit the NYISO from doing this analysis, and it could be treated similarly to evaluating multiple scenarios in the production costs and transfer limit analyses. Differences between O&M, ROE, and capital structure should be evaluated along with the independent capital cost estimates. Furthermore, NYISO has a consumer impact analysis group that is dedicated to performing this kind of study. This seems like a fitting application of their expertise and would clearly be of interest to multiple stakeholders, and informative for the NYISO Board.
2. **Independent Schedule Estimate:**
- a. Property Acquisition: Please explain in detail how NYISO considered the schedule impact of different developers acquiring property rights, addressing, in particular, the following:



- i. As mentioned above and during the July 20 meeting, extra time (and therefore costs) must be attributed to the projects that have more extensive property rights acquisition requirements compared to projects that already possess all required property right. Thus, Tier 1 proposals which, unlike T013, must acquire all property from an incumbent transmission owner (TO) or a private citizen (such as would be the case for NYPA ROW held via easement), must reflect additional time requirements (and increased costs) that would not apply to T013.
 - ii. If a project proposes to acquire existing ROW from a PSC jurisdictional TO, which is required to obtain approval from the PSC for property transfers under Public Service Law Section 70, additional time must be reflected to obtain such regulatory approval and the required independent property appraisal.
 - iii. If a project makes use of any property held by NYPA, the schedule must reflect the time needed to comply with the requirements of the Public Authorities Accountability Act and related requirements. Moreover, because NYPA ROWs are for the most part owned via easement the schedules and costs must also account for obtaining approval from underlying land owners for easements (both land rights and aerial rights) on existing NYPA ROW.
 - iv. Finally, if a project requires existing ROW owned by a PSC jurisdictional TO, and such TO is unwilling to dispose of said parcel, the schedule should reflect the time required to exercise condemnation. As stated at the July 20 meeting, if such parcel is held by NYPA, and NYPA is unwilling to dispose of it due to its own requirements for such parcel, the project must re-locate its facilities to avoid such NYPA property, because NYPA property is not subject to condemnation.
- b. Article VII: The Article VII process is lengthy and complex. A schedule difference should be reflected for the Article VII process between developers with New York experience and those who do not have this experience.
 - c. System Impact Study: Please indicate where each project stands in the SIS process. For projects that have not completed the SIS process, what additional time, cost and contingency assumptions were reflected in SECO's analysis, compared to projects like T013, which has a completed SIS?
 - d. Gantt Chart: Please provide the project-specific Gantt charts prepared by SECO to reflect these time constraints.
- 3. Ontario-NY Transfer Limit and Cost per MW:**
- a. Explanation of Scenario differences: Please provide side by side the assumptions in the 2014 base case and the 2016 base case + scenario in order to understand the changes.
 - b. Treatment of Series Reactors:
 - i. As the original NYISO request for proposals required, all projects must be viable and sufficient when measured against the base case provided to developers. Please confirm that project



T006, T014, and T015 were studied in the viability and sufficiency phase with the series reactors in-service and deemed to be viable and sufficient. Please confirm that in subsequent studies in which these project were modeled with the series reactors in-service, that T006, T014 and T015 do not result in system overloads, either when using base case assumptions or when using sensitivity analyses.

- ii. As noted in the NYISO presentation on October 29, 2015, National Grid installed series reactors and capacitors which were included in the base case. The NYISO informed developers they had the option to “have the series reactors bypassed **as part of the project proposal**” (emphasis added). Some developers elected to bypass those elements **as part of their proposal** as noted in various tables in the NYISO June 30 draft report. Please explain why NYISO modified these developer proposals to model the series reactors in service and why the NYISO has chosen to evaluate the developers based on the modified proposals.

4. Production Cost Savings:

- a. A more thorough explanation needs to be provided for the NYISO’s preferred scenario in the production cost savings analysis and how the preferred scenario relative to the others was considered in the evaluation. Please explain why the selected scenario best represents the long-term expected flows/generation dispatch results, with special attention to the series reactor status. In contrast, if the NYISO weighed all production cost scenarios the same, please indicate that.
- b. Why were the historical IESO/MISO flows not modeled in a case with all projects assuming the series reactors in-service? With these two changing variables in this case, it’s difficult to compare proposals on an apples to apples basis.

5. System CO₂ Emission Reduction:

The July 20 Report includes System CO₂ Emission Reduction in its evaluation under various scenarios. How are these criteria valued and then weighted into the overall evaluation ranking? Do these values and weightings corresponding to the NYISO sponsored Brattle Group study on the Cost of Carbon and or New York State public policy directives? If so or otherwise please elaborate.

6. Operability:

- a. Project T013 deserves a score of Excellent. According to the report, T013 achieves the highest operability on all operability criteria with the exception of the operational impact during construction. However, T013 will have a construction outage of short duration and the outage will be scheduled to avoid or minimize any operational impact. Furthermore, the operational benefit of the tower separation was omitted from consideration. The lack of tower separation has been a long-standing issue for the operation of Niagara. Considering that fully unbottling Niagara is the public policy goal of this proceeding, this tower separation is essential. One could argue that any project that lacks tower separation fails the objective of the transmission need to ensure maximum availability of Niagara, as stated at page 8 of the July 20 Report.



- b. Parallel transformer at Stolle and a parallel 230 kV Stolle-Gardenville line provide operability benefits during maintenance and contingency conditions compared to all other projects.
- c. Please provide a thorough explanation of the method used to determine the operational impact during construction, including who was consulted and what construction methods were discussed or considered to minimize this impact.

7. Expandability:

The following points warrant increasing project T013's expandability rating to excellent:

- a. The ROW configuration utilizing the H-frame wood pole design in T014 and T015 is not expandable. Additional rights of way will need to be acquired to add future lines to this corridor. By comparison, the delta steel-pole design of T013 allows for the ROW to accommodate additional lines. This significant factor should be shown by giving different scores for expandability between projects that use the steel delta towers versus those that use wood H-frame poles.
- b. Project T013 includes a spare Dysinger 345 kV bay and spare Stolle Road bay.

8. Property Rights:

- a. NYISO's tariff requires that a developer that does not currently possess site control must provide NYISO a feasible plan for acquisition of required property. In the June 30 Draft Report, NYISO states that such developers propose to negotiate for incumbent TO property and failing agreement to use condemnation authority. NYISO evidently concluded this is a feasible property acquisition plan, as required by the tariff. Please indicate whether any NYPA property is used in the competing Tier 1 proposals.
- b. If NYPA property is required, how did NYISO reflect the requirements of the Public Authorities Accountability Act (Public Authorities Law Section 2897), with respect to disposal of NYPA property, including how PAAA requirements were factored into the feasibility and cost analysis? Below is a short summary of the requirements of the PAAA with respect to disposal of NYPA property rights:
 - i. The PAAA contains requirements NYPA must follow when disposing of property. An appraisal must be performed to determine the value of the property. Performance of such appraisal requires the skills of a few firms who have the experience appraising utility corridor assets and this appraisal takes time. After the appraisal, NYPA must offer the property rights to the public – NYPA may not dispose of property via direct negotiation without undertaking a competitive process to determine/verify the market value of the rights.
 - ii. NYPA property is sovereign. Contrary to the Harris Beach opinion noted on Page 47 of the SECO report, private developers are not able to acquire NYPA real property rights through condemnation.

- c. If NYPA property is required and NYPA is unable or unwilling to part with it, please indicate whether NYISO believes the developer property acquisition plan satisfies the tariff requirement, given the inability of the developer to condemn NYPA property?

9. Clarification Item – South Perry Transformer (230:115 kV):

This transformer is noted as an element of the T013 proposal in the SECO report and accordingly the costs have been incorporated into the T013 total project cost, but not the other proposal costs. Conversely, the July 20 Report did not note this transformer in the scope of T013 but did note that this transformer is in the base cases for all projects. If the latter is the correct representation, then the transformer costs should **not** be included in the T013 proposal. Please clarify the treatment of the South Perry transformer and confirm the cost of the South Perry Transformer is not included in the T013 estimated cost.

Conclusion

NYPA and NYSEG look forward to receiving NYISO's response to the foregoing issues. Please do not hesitate to contact us if you have any questions.