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February 29, 2008

By Hand Delivery

Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

CRITICAL ENERGY
INFRASTRUCTURE INFORMATION
REMOVED

Re: Filing of Unexecuted Standard Merchant Transmission Facility Interconnection Agreement Among the New York Independent System Operator, Inc., Consolidated Edison Company of New York, Inc., and Linden VFT, LLC, Request for Waiver of 60-Day Notice Period, Request for Expedited Treatment, and Request for Critical Energy Infrastructure Information Designation, Docket No. ER08-____-000

Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d (2000), and Section 35.12 of the Commission's regulations, 18 C.F.R. § 35.12 (2007), the New York Independent System Operator, Inc. ("NYISO") and Consolidated Edison Company of New York, Inc. ("Con Edison") ("Joint Filing Parties") submit an unexecuted Merchant Transmission Facility Interconnection Agreement ("Interconnection Agreement") among the NYISO as the Transmission Provider, Con Edison as the Transmission Owner, and Linden VFT, LLC ("Linden VFT") as the merchant project Developer. Linden VFT has requested, in accordance with Section 11.3 of the NYISO's Large Facility Interconnection Procedures ("LFIP")¹ that the NYISO and Con Edison file the Interconnection Agreement on an unexecuted basis for the reasons described below.

Pursuant to that Section 11.3, the unexecuted Interconnection Agreement filed today contains the terms and conditions deemed appropriate by the NYISO for the Interconnection Request. Con Edison will, in accordance with the same Section 11.3, provide its comments on the unexecuted agreement and will include in its comments any alternative positions it may have with respect to the disputed positions. Con Edison has informed the NYISO that it will do so separately. The NYISO has worked on drafts of this filing with Con Edison and has provided Con Edison with an electronic copy of the filing in its final form.

¹ See NYISO OATT, Attachment X at § 11.3.

Honorable Kimberly D. Bose
February 29, 2008
Page 2 of 11

The NYISO requests a February 29, 2008 effective date for this filing, and requests that the Commission waive the normal 60-day notice period. The NYISO also requests expedited Commission action. Finally, Con Edison requests Critical Energy Infrastructure Information ("CEII") designation for a single diagram included as part of the Interconnection Agreement as Sheet No. 76. As explained in Part V, below, Con Edison believes that CEII treatment is warranted in this instance.

I. Overview of the Linden VFT Project and the Interconnection Agreement

The Interconnection Agreement governs the interconnection of Linden VFT's merchant transmission facility ("the VFT Project").² The VFT Project consists of three 100 MW Variable Frequency Transformers ("VFTs"), associated transmission facilities, and appurtenant equipment that will have a total transmission transfer capacity of approximately 300 MW. The VFT Project will be constructed by Linden VFT adjacent to the existing Linden Cogeneration Facility ("Cogen Facility"), a gas-fired, combined cycle cogeneration facility located in Linden, New Jersey.³ Linden VFT will construct a new 230 kV three-breaker ring bus switchyard, which will connect the VFT Project to the PJM Interconnection, L.L.C. ("PJM") transmission system. In addition, approximately 1,000 feet of new 345 kV transmission cable will be constructed to connect Linden VFT to a spare breaker position in the Cogen Facility's 345 kV ring bus. Linden VFT will be isolated from the Cogen Facility by a disconnect switch. The Point of Interconnection, as shown in Appendix A of the Interconnection Agreement, is a point on the 345 kV line that is the legal boundary between the State of New Jersey and the State of New York.

The VFT Project increases the transmission capacity on an existing 345 kV line that runs from the Cogen Facility to Con Edison's Goethals substation. Consistent with the Commission's April 19 Order and September 20 Order, this Interconnection Agreement does not disturb any underlying property rights embodied in the existing Power Purchase Agreement between Con Edison and the Cogen Facility.⁴

² Linden VFT filed an application with the Commission in Docket No. ER07-543-000 for authority to make sales of transmission rights at negotiated rates. The Commission accepted the application. *Linden VFT, LLC*, 119 FERC ¶ 61,066 ("April 19 Order"), *order on clarification*, 120 FERC ¶ 61,242 (2007) ("September 20 Order").

³ The Cogen Facility is owned by two affiliates of Linden VFT, and submitted a self-certification of qualifying cogeneration facility status in Docket No. QF90-65.

⁴ See April 19 Order at PP 33-35.

Honorable Kimberly D. Bose
February 29, 2008
Page 3 of 11

The Interconnection Agreement substantially conforms to the NYISO's *pro forma* Large Generator Interconnection Agreement ("LGIA") contained in Attachment X of its Open Access Transmission Tariff ("OATT"). However, as discussed in the next section, the Interconnection Agreement has been changed from the *pro forma* LGIA to reflect that Linden VFT is a merchant transmission project Developer and not a generator Developer. The NYISO's LFIP provides that Attachment X applies to merchant transmission project Developers as well as traditional generator project Developers. For ease of reference, the Joint Filing Parties have included a blackline of the Interconnection Agreement against the NYISO's *pro forma* LGIA to highlight these changes.

As noted above, there are several provisions included in the Interconnection Agreement that Con Edison disputes. Part III of this letter describes those disputed positions and summarizes the NYISO's position on them. Con Edison will explain its position on these issues separately.

II. Changes From the *Pro Forma* LGIA Agreed to by the Parties

As noted above, it was necessary for the parties to revise the *pro forma* LGIA because it governs the interconnection of a merchant transmission facility and not a generation facility. Although the NYISO's LFIP expressly provides that the interconnection procedures apply to both types of projects, the *pro forma* LGIA is written with generation projects -- which has comprised (and will continue to comprise) the vast majority of interconnections in New York -- in mind. This focus in the *pro forma* LGIA therefore necessitated the following revisions to the subject Interconnection Agreement. All of the parties agree that these changes are necessary. However, the parties remain cognizant that the Commission disfavors significant variations from the approved *pro forma* LGIA, and have accordingly made every effort to limit the number of changes.

First, the parties have inserted the term "Merchant Transmission Facility," which is defined in the Interconnection Agreement as "the Developer's facility for the transmission of electricity...." In parallel to this addition to the Interconnection Agreement, the parties have deleted the term "Large Generating Facility," which is a defined term in the *pro forma* LGIA. Thus, the term "Merchant Transmission Facility" will replace the *pro forma* term "Large Generating Facility." The parties have also deleted the *pro forma* defined term "Standard Large Generator Interconnection Agreement," since this Interconnection Agreement does not govern

Honorable Kimberly D. Bose
February 29, 2008
Page 4 of 11

the interconnection of a Large Generating Facility.⁵ Finally, the parties have in limited circumstances replaced the word “export,” “generated,” or “produced,” as applicable, with the word “transmit” because the Merchant Transmission Facility will transmit power.⁶ Large Generating Facilities, by contrast, would generate, produce, or export power.

The parties have specifically defined the Cogen Facility in the Interconnection Agreement. This change is necessary because the VFT Project will be connected to the ring bus at the Cogen Facility. To reflect this unique configuration, the parties have added the new defined term “Point of Connection,” which is the point where the VFT Project connects to the Linden Cogen ring bus. This addition is necessary to describe the relationship between the VFT Project and the Cogen Facility.⁷

In addition, the parties have revised the *pro forma* LGIA to account for the specific metering requirements associated with the VFT Project. The new term “Delivery Point” is defined as “the point at which electricity will be measured by electric meters and associated equipment at Transmission Owner’s Goethals 345 kV substation, and owned, installed, operated and maintained by Transmission Owner at Developer’s expense.” In addition, the term “Metering Equipment,” which is a defined term in the *pro forma* LGIA, has been revised to address the specific location of such equipment (*e.g.*, at the Delivery Point and at the Point of Connection between the VFT Project and Linden Cogen). Article 7 of the Interconnection Agreement, which governs metering, differs from the parallel article in the *pro forma* LGIA by specifically addressing the meters that the VFT Project will use, and by including a requirement that the metering for Linden VFT will adhere to the metering requirements described in Appendix C to the Interconnection Agreement. Section 7.4 of Article 7 has been modified to provide for specific equipment testing requirements.⁸

Certain reactive power provisions in the *pro forma* LGIA have also been revised to conform to the unique operating requirements of merchant transmission projects. For example, Section 9.5.1 (“Power Factor Design Criteria”) has been modified to provide that the power factor will be measured at the Delivery Point and must have a range of 0.85 lagging to 0.95 leading. In addition, Section 9.5.2 (“Voltage Schedules”) has been revised to provide that

⁵ Moreover, the parties have eliminated the word “unit” in limited cases because “unit” is used in conjunction with a Large Generating Facility and is not applicable in the case of a Merchant Transmission Facility.

⁶ See, *e.g.*, Interconnection Agreement at §§ 5.3, 5.17.2, 6.1, 9.6.2.

⁷ See Part I, above, for an overview of the VFT Project, including its relationship to the Cogen Facility.

⁸ Section 7.3 has also been revised to provide the updated title of the relevant NYISO manual.

Honorable Kimberly D. Bose
February 29, 2008
Page 5 of 11

voltage at the Point of Interconnection is within the range of 346 kV to 362 kV, in accordance with specific Con Edison engineering requirements. Section 9.5.2.1 ("Governors and Regulators") has been deleted because it has no relevance in the context of merchant transmission projects. Finally, Section 9.5.3 ("Payment for Reactive Power") has been deleted because it relates to voltage support service provided by a Developer from a Large Generating Facility.

The parties have also revised the tax, work progress, information exchange, and insurance provisions to reflect the negotiated mutual agreement between Con Edison and Linden VFT.

Several other provisions included in the generation project-focused *pro forma* LGIA are simply not applicable in the context of merchant transmission projects or are otherwise required to be revised. Accordingly, the parties have deleted or revised provisions related to power system stabilizers, under- and over-frequency, protection requirements, information supplementation, and related defined terms. In addition, the parties have deleted the *pro forma* Appendix G, which is applicable to wind Developers (and is therefore inapplicable in this context). All of these changes are identified in the attached blacklined agreement.

The parties have also added new Appendix G, which is a document that was negotiated by Con Edison and Linden VFT and which provides the detailed principles associated with construction activity at Con Edison's Goethals substation.

Finally, the parties have corrected certain numbering errors, as well as changed a reference to "Interconnection Customer" in Section 10.4 to "Developer," which is the appropriate term under the NYISO's Large Facility Interconnection Procedures. These changes are reflected in the attached blackline.

III. Disputed Provisions of the Interconnection Agreement

As noted above, the parties are not in agreement over certain limited issues. Although the parties tried to resolve or limit these differences, they were ultimately unable to do so on several points. As noted above, the unexecuted Interconnection Agreement is filed with provisions that reflect NYISO's position, not Con Edison's objections. This approach is necessary to comply with Section 11.3 of the LFIP, which states in part: "An unexecuted LGIA should contain terms and conditions deemed appropriate by the NYISO for the Interconnection Request." The subsections below describe the disputed issues and summarize the NYISO's position on each of them. The statements in this Part III are those of the NYISO, not of Con

Honorable Kimberly D. Bose
February 29, 2008
Page 6 of 11

Edison. Con Edison will provide its position on these issues separately. The Joint Filing Parties expect that Linden VFT will provide its own views on some or all of the disputed issues in a separate pleading.

A. Disputed Issues

1. Deliverability

Section 4.1.1 of the *pro forma* LGIA states that "NYISO will provide Network Access Interconnection Service to Developer at the Point of Interconnection." That interconnection service is based on the Minimum Interconnection Standard and does not impose any deliverability test or requirement. Con Edison has said that this section should be amended to state that NYISO will provide Energy Resource Interconnection Service or Capacity Resource Interconnection Service, depending on whether Linden satisfies the deliverability requirement proposed by the NYISO in its October 5, 2007 filing in Docket No. ER04-449-000.

The NYISO notes that Section 4.1.1, as filed, reflects the NYISO tariff currently in effect. Application of a deliverability requirement, if any, to the Linden VFT Project will be determined by the final, non-appealable orders in Docket Nos. ER04-449 and ER07-543. Notwithstanding Section 4.1.1, or any other provision of the Interconnection Agreement, NYISO and Con Edison and Linden VFT agree that this filing does not in any way waive, diminish or expand the rights of any of them, or alter their respective positions in any way, with respect to the application to the Linden VFT Project of the deliverability requirement proposed by the NYISO in Docket No. ER04-449 on October 5, 2007, and for which clarification was sought by NYISO in Docket No. ER07-543 on October 9, 2007.

2. Ring Bus Crossing

The interconnection of the Linden VFT Project calls for the reconfiguration of certain equipment in the Goethals Substation of Con Edison into a ring bus.⁹ The configuration includes an overhead feeder that crosses over one section of the ring bus before connecting to another section of the ring bus. Con Edison has expressed a concern that if the feeder were to collapse on to the ring bus, that would result in the loss of multiple resources. Con Edison believes that the configuration should be modified so that the feeder does not cross over the ring bus before connection to it.

⁹ This ring bus configuration is described in Appendices A and C of the MFITA.

Honorable Kimberly D. Bose
February 29, 2008
Page 7 of 11

The NYISO notes that the configuration described in Appendices A and C was studied in the Interconnection Facilities Study conducted for the Linden VFT Project in accordance with Section 8 of Attachment X to the NYISO OATT, and in accordance with Attachment S to the NYISO OATT. Con Edison participated in this study. Con Edison has cited no written reliability rule or standard or code to support the objection it now makes to the overhead feeder. Con Edison has not argued that such a configuration would be unique in its substations.

3. *Relocation of Certain Feeders*

During the negotiation of this Interconnection Agreement, Con Edison stated that the reliability impact of a future interconnection project on the Goethals substation would be such that the Developer of that future project would be required by Applicable Reliability Standards to relocate feeder nos. 25 and 26 in the substation. Con Edison asserts that Linden VFT should pay for the cost of relocating feeder nos. 25 and 26 when that becomes necessary.

The NYISO notes that relocation of feeders nos. 25 and 26 was not part of the Interconnection Facilities Study. Con Edison has presented no tariff basis for imposing such an additional cost responsibility on the Linden VFT Project. The interconnection cost allocation rules of the NYISO tariff are quite clear that a Developer like Linden VFT shall have no responsibility for the future interconnection costs of future Developers.¹⁰ These cost allocation rules, that bar the assignment of future interconnection costs to a current Developer like Linden VFT, are explicitly incorporated in section 5.17.3 of the *pro forma* IA.¹¹ The NYISO knows of no tariff basis for Con Edison's proposed allocation of additional cost responsibility to Linden VFT.

4. *Oversight, Operation & Maintenance, and Tax Costs*

The Interconnection Facilities Study identified the System Upgrade Facilities needed for the Linden VFT Project. The Developer will perform the design, procurement and construction work needed for these System Upgrade Facilities, pursuant to Sections 5.1.3 and 5.2 of the Interconnection Agreement (Option to Build). Con Edison argues that the Interconnection Agreement should require the Developer to reimburse Con Edison for the costs that Con Edison incurs (i) for overseeing Developer's engineering and construction work, (ii) for operating and maintaining the System Upgrade Facilities, and (iii) for property taxes assessed on the System Upgrade Facilities.

¹⁰ See NYISO OATT, Attachment S at Sheet Nos. 687C and 688.

¹¹ See *pro forma* LGIA in Attachment X at § 5.19.3.

Honorable Kimberly D. Bose
February 29, 2008
Page 8 of 11

Attachment S to the NYISO OATT allocates responsibility for the costs associated with the design, procurement and construction of System Upgrade Facilities needed for new interconnection projects. Linden VFT has accepted its allocated cost responsibilities in accordance with the rules in Attachment S and Linden VFT's responsibilities have been recorded in the Appendices of the Interconnection Agreement. The cost allocation rules in Attachment S "do not address in any way the allocation of responsibility for the cost of operating and maintaining the new . . . [System Upgrade Facilities] . . . once they are installed."¹² Con Edison and other New York Transmission Owners have proposed to amend Attachment S to allocate to Developers a portion of certain ongoing costs associated with the System Upgrade Facilities installed for a new interconnection project. These discussions are ongoing. In the absence of such an amendment, the NYISO knows of no tariff basis to assign O&M or property tax costs to Linden, as Con Edison has proposed. Nor does the NYISO know of any tariff basis for Con Edison to charge Linden VFT for the cost that Con Edison incurs to oversee Linden VFT's engineering and construction work performed under the Developer's Option to Build.¹³

IV. Effective Date, Request for Waiver of the 60-Day Notice Period, and Request for Expedited Action

The NYISO requests an effective date of February 29, 2008, the date that the unexecuted Interconnection Agreement was filed pursuant to Developer's request under Section 11.3 of the NYISO's LFIP. The NYISO therefore respectfully requests that the Commission waive its usual 60-day notice period¹⁴ for this filing to make it effective on the date that it was submitted. The Commission has previously permitted an unexecuted interconnection agreement to become effective on the date it was filed.¹⁵ In addition, Linden VFT has informed Con Edison and the NYISO that it is fully prepared during the Commission's deliberation to proceed under the terms and conditions of the unexecuted Interconnection Agreement for the design, procurement,

¹² See Attachment S at Sheet No. 662

¹³ Indeed, the Commission has rejected proposals to assign such costs to Developers. See Order No. 2003 at P 358 ("The Commission will also deny SoCal Edison's request that the Interconnection Customer bear the Transmission Provider's costs associated with the oversight of construction performed by the Interconnection Customer . . ."); Order No. 2003-A at P 218-19 ("We will not require that the Transmission Provider be reimbursed for construction oversight costs The expenses associated with such activities are part of the cost of doing business, and the Transmission Provider can avoid the expense by meeting the milestones itself.").

¹⁴ See *Prior Notice and Filing Requirements Under Part II of the Federal Power Act*, 64 FERC ¶ 61,139, *reh'g denied*, 65 FERC ¶ 61,081 (1993).

¹⁵ See, e.g., *Midwest Independent Transmission System Operator, Inc.*, 122 FERC ¶ 61,113 at P 35 (2008).



Honorable Kimberly D. Bose
February 29, 2008
Page 9 of 11

construction and installation of the Stand Alone System Upgrade Facilities as described in the Appendices to the unexecuted Interconnection Agreement.

The NYISO requests expedited Commission action for this filing. Expedited action is necessary in order for the parties to begin their respective obligations under the Interconnection Agreement, including the upcoming milestones detailed in Appendix B of that agreement.

V. Request for CEII Treatment

Pursuant to the Commission's regulations at 18 C.F.R. §388.112 (2007), Con Edison requests that the one-line diagram included as part of Appendix A to the Interconnection Agreement (Sheet No. 76) be protected from disclosure as Critical Energy Infrastructure Information ("CEII"). The diagram depicts electric transmission facilities that will constitute a significant tie between the New York and PJM control areas. Accordingly, the diagram could be useful to a person in planning an attack on critical infrastructure. The diagram has been omitted from the copies of the Interconnection Agreement that are included in the Public Version of this filing. They are included in the copies of the Interconnection Agreement in the CEII Version of the filing. All communications relating to this request for CEII treatment should be addressed to the following:

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Honorable Kimberly D. Bose
February 29, 2008
Page 10 of 11

VI. Correspondence and Communications

The following persons should be included in the official service list in this proceeding and all communications concerning this filing should be addressed to them:

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* - Designated to receive service.

VII. Documents Submitted

The Joint Filing Parties submit the following documents:

- A. This filing letter;
- B. Clean version of the unexecuted Interconnection Agreement ("Attachment I"); and
- C. Blacklined sheets showing the changes from the body of the NYISO's *pro forma* LGIA, including the substitution of the *pro forma* Appendix G ("Attachment II").

¹⁶ The NYISO respectfully requests waiver of 18 C.F.R. § 385.203(b)(3) (2007) to permit service on counsel for the NYISO in both Washington, D.C. and Richmond, Virginia.

Honorable Kimberly D. Bose
February 29, 2008
Page 11 of 11

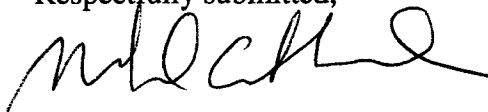
VIII. Service

The NYISO will send a paper copy of this filing to Linden VFT. The NYISO will also electronically send a link to the public version of this filing to the official representative of each of its customers, to each participant on its stakeholder committees, to the New York Public Service Commission, and to the electric utility regulatory agencies of New Jersey and Pennsylvania. In addition, the complete public version of this filing will be posted on the NYISO's website at www.nyiso.com. The NYISO will also make a paper copy available to any interested party that requests one. To the extent necessary, the NYISO requests waiver of the requirements of Section 35.2(d) of the Commission's Regulations (18 C.F.R. § 35.2(d) (2007)) to permit it to provide service in this manner.

IX. Conclusion

Wherefore, the New York Independent System Operator, Inc. and Consolidated Edison Company of New York, Inc. respectfully request that the Commission accept the non-conforming changes to the Interconnection Agreement agreed to by the parties and consider the comments of Con Edison with respect to the disputed provisions of the Interconnection Agreement.

Respectfully submitted,



Michael E. Haddad

Counsel for
New York Independent System Operator, Inc.

cc: Shelton Cannon
Larry Gasteiger
Michael Bardee
Connie Caldwell
Kathleen Nieman
Lance Hinrichs