



ONONDAGA COGENERATION LIMITED PARTNERSHIP

c/o Atlantic Power Management, LLC
200 Clarendon Street, 25th Floor, Boston, MA 02116
Tel (617) 977-2400 ♦ Fax (617) 977-2410

January 15, 2008

New York Independent System Operator
10 Krey Boulevard
Rensselaer, New York 12144
Attn: Bill Schwinghammer, Customer Service Associate

RE: Onondaga Cogeneration, LP ("Onondaga") Facility Shut Down

Dear Mr. Schwinghammer,

Onondaga has submitted a request to the New York Public Service Commission for a partial waiver of the 180 day notice period required for permanent shut down of generating facilities larger than 80 MW. A copy of this waiver petition is enclosed.

If this waiver is granted, Onondaga intends to shut down its 88 MW generating facility in the Town of Geddes, New York, on April 30, 2008 and to withdraw from all NYISO markets effective May 1, 2008.

Onondaga acknowledges that it will remain responsible for all NYISO financial obligations incurred during the period of market activity including all resettlements/rebillings until a final close-out invoice is posted for the last month of activity.

Please contact Jeff Delgado at 917-472-4572 if you wish to discuss further.

Regards,

A handwritten signature in black ink, appearing to read "Barry Welch", with a long horizontal line extending to the right.

Barry Welch
President
Geddes Cogeneration, LLC
General Partner of Onondaga Cogeneration, LP

CC: Jeff Delgado, Caithness
Gary Keevill, Caithness
Greg Stone, OCLP
Bill Daniels, Atlantic Power
Michael Schiavone, National Grid
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ALSO ADMITTED IN: DISTRICT OF COLUMBIA

January 10, 2008

By Hand Delivery

Hon. Jaclyn A. Brilling
Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, New York 12223

Re: Onondaga Cogeneration Limited Partnership Notice of Retirement of Generating Unit and Request for Partial Waiver of Certain Notification Requirements.
Case 08-E-

Dear Secretary Brilling:

Pursuant to Rules 3.5 of the Commission's Rules of Procedure, 16 N.Y.C.R.R. § 3.5 (2007), Onondaga Cogeneration Limited Partnership ("Onondaga") respectfully submits the enclosed original and five (5) copies of Notice Of Retirement Of Generating Facility And Request For Partial Waiver Of Notice Period.

Respectfully submitted,



George M. Pond, Esq.
Hiscock & Barclay, LLP
50 Beaver Street
Albany, New York 12207
(518) 434-2163

Attorneys for Onondaga Cogeneration
Limited Partnership

Encl. (original and five copies)

Hon. Jaclyn A. Brillling
January 10, 2008
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cc: Leonard Van Ryn, Esq. (w/encl.)
Robert Hernandez, Esq. (w/encl.)
Robert Hoaglund, Esq. (w/ encl.)

BEFORE THE
PUBLIC SERVICE COMMISSION
STATE OF NEW YORK

Onondaga Cogeneration Limited
Partnership Notice of Retirement of
Generating Unit and Request for Partial
Waiver of Certain Notification
Requirements.

)
)
) Case No. 08-E-
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**NOTICE OF RETIREMENT OF GENERATING FACILITY
AND REQUEST FOR PARTIAL WAIVER OF NOTICE PERIOD**

Onondaga Cogeneration Limited Partnership ("Onondaga") respectfully submits this Notice of the Retirement of its Generation Facility and Request for Partial Waiver of Notice Period pursuant to section 3.5 of the Commission's Rules, 16 N.Y.C.R.R. § 3.5 (2007), and the Commission's December 20, 2005 Order in Case 05-E-0889 (the "Generation Unit Retirement Order").¹

**INTRODUCTION AND
SUMMARY OF RELIEF REQUESTED**

Onondaga is the owner of a natural gas and oil fired generation facility located in the Town of Geddes, New York (the "Facility") and is indirectly owned by Atlantic Power Corporation. Onondaga plans to cease operation of the Facility on April 30, 2008, or as soon thereafter as permitted by the Commission. To permit the Facility to cease operations on April 30, 2008, which is the last day of the 2007-08 Winter Capability Period, Onondaga respectfully

¹ Case 05-E-0889, *Proceeding on Motion of the Commission to Establish Policies and Procedures Regarding Generation Unit Retirement*, Order Adopting Notice Requirements for Generation Unit Retirements (issued and effective Dec. 20, 2005).

requests a partial waiver from the New York State Public Service Commission ("Commission") of the 180 day notice requirement established by the Commission for the retirement of generating units with a capacity of more than 80 MW in the Generation Unit Retirement Order.²

BACKGROUND

The Facility was originally constructed as a co-generation facility exempt from Commission jurisdiction pursuant to section 2(2-a) of the New York Public Service Law ("PSL").³ Although PSL § 2(2-a) limits co-generation facilities to a maximum capacity of 80 MW, the Commission allowed independent power producers such as Onondaga to install generating facilities with a name plate rating slightly over 80 MW, provided the output of such facilities was at all times limited to no more than 80 MW.⁴ This permitted Onondaga and other co-generation facilities to design their generating units to produce 80 MW on a year-round basis.

Prior to National Grid's Master Restructuring Agreement (the "MRA"), Onondaga sold electricity to National Grid under a long-term contract approved by the Commission and also sold steam to Crucible Materials Corp. ("Crucible"). As a result of the MRA, Onondaga's long-term contract with National Grid was terminated. As part of this restructuring, Onondaga also terminated its steam supply agreement with Crucible. Thus, Onondaga no longer qualified as a co-generation facility under PSL § 2(2-a).

Accordingly, on September 18, 2000, Onondaga filed a petition with the Commission relating these events and requesting that the Commission permit Onondaga to operate under lightened regulatory treatment, selling all of its electric output in the competitive markets

² In conformance with the Generation Unit Retirement Order, this notice has also been served on the New York Independent System Operator, Inc. ("NYISO") and National Grid, which is the electric utility with which the Facility is interconnected.

³ N.Y. Pub. Serv. L. § 2(2-a) (McKinney 2000).

⁴ See Case 00-E-1597, *Onondaga Cogeneration Limited Partnership -- Petition Requesting Lightened Regulatory Treatment as a Wholesale Generator of Electricity*, Order Providing for Lightened Regulation, slip op. at 2 (issued and effective January 4, 2001).

administered by the New York Independent System Operator, Inc. ("NYISO"). In that petition, Onondaga stated that the name plate capacity of the Facility was 91 MW. By order dated January 4, 2001, the Commission granted Onondaga's request for lightened regulation.⁵ Since the issuance of that order, Onondaga's facility has provided up to 88 MW of installed capacity during the Winter Capability Period and 78 MW of installed capacity during the Summer Capability Period.

As a result of insufficient capacity revenue and energy margins due to the substantial amount of excess generating capacity available in the upstate New York markets in which Onondaga sells the output of the Facility, Onondaga has concluded that continued operation of the Facility beyond April 30, 2008 will not be economic and, accordingly, that the Facility should be retired.⁶ Unfortunately, Onondaga erroneously believed until recently that because the Facility was previously regarded by the Commission as a co-generation facility under PSL § 2(2-a) with a maximum generating capacity of less than 80 MW, that only 90 days notice would be required before that retirement could be made effective. When Onondaga became aware that as a result of its operations since January of 2001 it is now subject to a 180 day notice requirement, less than 180 days remained before April 30, 2008.

⁵ *Id.*

⁶ Onondaga is studying plans to construct a new generating plant on the site of the Facility, which would be powered by renewable fuels. Onondaga cannot predict when, if ever, this new plant will be constructed. Moreover, this new plant would not use any of the major components of the Facility. Accordingly, Onondaga is seeking Commission approval for a permanent shut down of the Facility, without prejudice to its rights to develop a new generating plant at the site currently occupied by the Facility.

COMMUNICATIONS

Correspondence and communications with respect to this filing should be addressed to the following individuals:

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ARGUMENT

THE COMMISSION SHOULD GRANT ONONDAGA A PARTIAL WAIVER OF THE NOTICE REQUIREMENTS ESTABLISHED IN THE GENERATION UNIT RETIREMENT ORDER

In the Generation Unit Retirement Order, the Commission ruled that generating facilities subject to its jurisdiction should be required to provide reasonable notice of their proposed retirement so that such retirements would not jeopardize the safety or reliability of the New York Bulk Power System:

The absence of regulatory oversight raised the possibility that “the level of generation supply might decline to a point that would threaten the reliability of electric service.” Thus, an appropriate regulatory mechanism is needed to address the possibility that generation unit retirements might undermine electric system reliability and render service unsafe or inadequate.⁷

For generators that are under 80 MW, the Commission ruled that a minimum of 90 days written notice would be required.⁸ Generators that are equal to or greater than 80 MW are required to

⁷ Generation Unit Retirement Order at 13 (footnote omitted).

⁸ *Id.*, slip op. at 15.

provide a minimum of 180 days prior written notice of a proposed retirement.⁹ Because the Facility has a name plate capacity of 91 MW and currently supplies 88 MW of installed capacity during the Winter Capability Period, 180 days notice is required under the Generation Unit Retirement Order before the Facility may be retired.

Onondaga respectfully requests, however, that the Commission grant it a partial waiver to reduce this 180 day notice requirement to the 90 day notice required of generating facilities smaller than 80 MW. This waiver is required to avoid the need for uneconomic operation of the Facility and to avoid the very real risk that Onondaga may be required to make substantial additional investments in the Facility to keep it operational beyond April 30, 2008. This risk stems from the fact that the Facility's combustion turbines will soon require overhauls with costs that cannot be justified under current market conditions. Onondaga cannot predict precisely when its combustion turbines will require such an overhaul, but believes that this risk makes any commitment to operate the Facility beyond April 30, 2008 commercially unreasonable.

To make matters more complex, April 30th is the end of the NYISO's Winter Capability Period. If Onondaga is required to operate beyond that date, it will also be forced to choose between either assuming the considerable risk of committing to operate the Facility for the full Summer Capability Period in order to receive full payment for the capacity provided by the Facility or facing dramatically reduced payments for capacity if it operates for only long enough to satisfy the Commission's notice requirements. In addition, Onondaga has no captive customers from which costs can be recovered.

Granting the waiver requested herein and reducing Onondaga's notice requirement to 90 days will permit Onondaga to avoid either of these financial pitfalls. Moreover, such a waiver will not jeopardize the safety or reliability of the New York Bulk Power System. As previously

⁹ *Id.*

noted, one of the major factors making the Facility uneconomic to operate is the availability of substantial excess generating capacity in the upstate New York markets where Onondaga must sell the output of the Facility. The existence of substantially more generation than load in NYISO Area C, where the Facility is located, is clearly shown by the following chart from NYISO's 2007 Reliability Needs Assessment, which shows Loss of Load Expectancy ("LOLE") for NYISO Area C to be at or near zero for every year from 2007 to 2016 even under NYISO's High Forecast Scenario:

Table 5.4.1.1 RNA study case LOLE High Forecast¹⁰

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
AREA-A										
AREA-B		0.01	0.05	0.08	0.11	0.17	0.20	0.30	0.43	0.57
AREA-C										
AREA-D										
AREA-E			0.02	0.03	0.04	0.01	0.10	0.16	0.26	0.37
AREA-F										
AREA-G				0.01	0.01	0.01	0.01	0.02	0.03	0.05
AREA-H										
AREA-I		0.01	0.06	0.11	0.14	0.30	0.37	0.57	0.83	1.20
AREA-J		0.01	0.09	0.16	0.25	0.45	0.64	0.91	1.29	1.83
AREA-K				0.01	0.01	0.04	0.06	0.11	0.20	0.41
NYCA		0.02	0.10	0.17	0.26	0.46	0.67	0.94	1.34	1.91

Thus, LOLE in NYISO Area C is zero for all years from 2007 to 2016, far below NYISO's design limit of .1, which translates into a loss of load of one day in 10 years due to failure of the Bulk Power System. Accordingly, allowing Onondaga to retire the Facility on 90 days notice rather than on 180 days notice will have no impact whatsoever on the reliability of the electric system in NYISO Area C.

This is especially true given that the capacity of the Facility is only moderately greater than the 80 MW threshold established in the Generation Unit Retirement Order for generating

¹⁰ NYISO, *2007 Reliability Needs Assessment* at 18 (March 16, 2007). All blank fields -- including all years for Area C -- have been found by NYISO to have an LOLE of zero.

units required to provide 180 days rather than 90 days notice before ceasing operations. As previously noted, the name plate capacity of the Facility only is 91 MW, and while actual winter capacity sales from the Facility have been limited to 88 MW, summer capacity sales have been below 80MW. Thus, the 90 day notice requirement applicable to facilities smaller than 80 MW would be more than adequate even if the Facility were located in a NYISO Area where additional capacity will be required to achieve NYISO's goal of keeping LOLE below .1 in future years.

Accordingly, the Commission should find that good cause exists to grant a partial waiver of the Generation Unit Retirement Order to require only that 90 days prior written notice for the retirement of the Facility.

CONCLUSION

WHEREFORE, for the above-stated reasons, Onondaga Cogeneration Limited Partnership respectfully requests:

- that the Commission grant the partial waiver the notice requirements of the Generation Unit Retirement Order requested by Onondaga Cogeneration Limited Partnership herein; and

- that the Commission allow Onondaga Cogeneration Limited Partnership to retire its natural gas and oil fired generation facility located in the Town of Geddes, New York, on April 30, 2008.

Respectfully submitted,

By: _____

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*Attorneys for Onondaga Cogeneration Limited
Partnership.*

Dated: January 10, 2008

ATTACHMENT "A"
VERIFICATION
OF
MR. WILLIAM DANIELS

BEFORE THE
PUBLIC SERVICE COMMISSION
STATE OF NEW YORK

Onondaga Cogeneration Limited
Partnership Notice of Retirement of
Generating Unit and Request for Partial
Waiver of Certain Notification
Requirements.

Case No. 08-E-

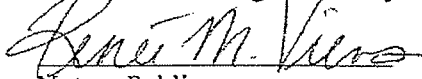
**VERIFICATION
OF MR. WILLIAM DANIELS**

City of Boston)
State of Massachusetts)

William Daniels, being duly sworn under oath states: (1) that he is Director – Asset Management for Atlantic Power Management, LLC, an affiliate of Atlantic Power Corporation, which is the indirect owner of Onondaga Cogeneration Limited Partnership (“Onondaga”), the applicant in this proceeding; (2) that he has read the foregoing Verified Petition; (3) that the statements made therein are true and accurate to the best of his knowledge and belief; (4) that he has full power and authority to execute this verification on behalf of Onondaga; and (5) that he authorizes the submission of this Verified Petition to the New York Public Service Commission on behalf of the same.


William Daniels

I do hereby certify this 10th day of January, 2008, William Daniels personally appeared before the undersigned Notary Public and made an oath to the foregoing.


Notary Public

My Commission expires on: May 25, 2012

