

**Comments on VSS Payment proposals from NYPA:**

August 12, 2005

NYPA has reservations about rushing into a change in the way costs are allocated particularly in light of the early stage of the Reactive Working Group discussions . We are also concerned that the proposed approach could result in unintended consequences. For example, it makes little sense to NYPA to allocate reactive costs to NYPA's Transmission District as suggested in NYSEG's spreadsheet. That approach, as we understand it, would result in shifting significant reactive costs associated with generation located from Western NY to NYC to a transmission district in the northern part of the control area with by far the smallest amount of load as compared to the other transmission districts. We believe that any change in the way reactive costs are allocated has to be done in concert with the technical analysis being conducted by the RPG working group.

Maryam Sharif  
New York Power Authority