

**UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION**

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| <b>Central Hudson Gas &amp; Electric Corporation</b> | <b>Docket Nos. ER97-1523-011</b> |
| <b>Consolidated Edison Company of New York, Inc.</b> | <b>OA97-470-010</b>              |
| <b>Long Island Lighting Company</b>                  | <b>ER97-4234-008</b>             |
| <b>New York State Electric &amp; Gas Corporation</b> |                                  |
| <b>Niagara Mohawk Power Corporation</b>              | <b>Docket Nos. ER97-1523-018</b> |
| <b>Orange and Rockland Utilities, Inc.</b>           | <b>OA97-470-017</b>              |
| <b>Rochester Gas and Electric Corporation and</b>    | <b>ER97-4234-015</b>             |
| <b>New York Power Pool</b>                           |                                  |
|  | <b>Docket Nos. ER97-1523-019</b> |
|  | <b>OA97-470-018</b>              |
|  | <b>ER97-4234-016</b>             |
|  | <b>(not consolidated)</b>        |

**SUPPLEMENTAL REBUTTAL TESTIMONY OF  
JOHN P. BUECHLER**

1 Q. Are you the same John Buechler that previously submitted  
2 testimony in this proceeding?

3 A. Yes.

4 Q. What is the purpose of this additional testimony?

5 A. I will respond to the testimony submitted by H. Charles Liebold  
6 on behalf of Allegheny Electric Cooperative, Inc. ("AEC") on  
7 September 8, 2000.

8 Q. Please summarize this additional testimony?

9 A. Mr. Liebold has not supplied any valid reasons to change or rebut  
10 my earlier testimony. Operating reserves are needed to support  
11 exports out of the New York Control Area ("NYCA"). The NYISO is now  
12 the sole provider of ancillary services (including operating reserves  
13 to support all load and exports) in the NYCA and procures ancillary

1 services and, as a non-profit entity, must charge those receiving  
2 service for the cost of these services. Mr. Liebold's assumption  
3 that some other party should absorb the cost of operating reserves  
4 that support exports is simply wrong. The fact that customers have  
5 received the benefit of grandfathering pre-NYISO contracts does not  
6 mean they should avoid the cost of services being procured on their  
7 behalf by the NYSIO in accordance with the FERC approved market  
8 structure. Mr. Liebold continues to confuse issues related to  
9 individual generating units that provide power contractually to AEC  
10 and the concept of operating reserves purchased by the NYISO to  
11 support all load in the NYCA and exports. He is also mistaken that  
12 the shared activation of reserves between control areas alleviates  
13 the need of the NYISO to procure operating reserves to support  
14 exports or the need for AEC to reimburse the NYISO.

15 Q. How do you respond to Mr. Liebold that the amendments that would  
16 apply the NYISO charge for operating reserves to AEC is not the  
17 minimum necessary for implementation or startup of the NYISO?

18 A. The NYISO is the sole provider of ancillary services including  
19 operating reserves and must be reimbursed for the cost of providing  
20 that service. Operating reserves are necessary to support exports  
21 and it is necessary for exports to be subject to the NYISO charge  
22 that reimburses the NYISO for the cost of providing service.

1 Q. How do you respond to Mr. Liebold's claim that no such charge  
2 existed pre-NYISO?

3 A. Mr. Liebold misses the point. The NYISO charge is a function of  
4 the NYISO structure implemented effective November 18, 1999. That is  
5 the purpose of the subject amendments, to reflect these changes. If  
6 Mr. Liebold's point is that AEC was not previously charged for  
7 operating reserves under the preNYISO structure, that is simply no  
8 justification for avoiding the NYISO charge for the service it now  
9 receives from the NYISO.

10 Q. How do you respond to his statement that AEC has not received a  
11 bill since NYISO start-up?

12 A. This fact, if true, is beside the point. Under the NYISO OATT,  
13 operating reserves are procured by the NYISO on behalf of exports  
14 and, therefore, the operating reserve charge applies to exports, is  
15 appropriate and AEC should be billed for such costs. To the extent  
16 AEC may not have been billed does not in any way suggest that the  
17 operating reserve charge should not apply to exports.

18 Q. How do you respond to Mr. Liebold's testimony that exports do not  
19 cause any operating reserve burden on the NYISO?

20 A. He is wrong. He has mischaracterized statements by Mr. Vinny  
21 Budd from the NYISO. Mr. Budd was simply trying to convey to AEC  
22 that operating reserves are not determined by reference to individual  
23 generating units that supply individual transactions but rather by

1 reference to the largest contingency determined on a control area  
2 basis.

3 Contrary to Mr. Liebold's assertion NYCA reserves do support  
4 NYCA exports. Exports are added to NYCA internal load to determine  
5 the total NYCA load requirement. Thus, maintaining the DNI  
6 obligation, during a reserve pick-up, enables the NYISO to continue  
7 to meet its load requirement until a schedule change can be made with  
8 the neighboring control area. The linking of the DNI to the  
9 reliability of a particular generating resource is not appropriate or  
10 relevant. NYPA exports to AEC cause the same proportionate burden on  
11 the NYCA as all other exports. Moreover, the fact that the reserve  
12 requirement is not set by reference to individual units "supplying" a  
13 specific transaction is irrelevant.

14 Q. How do you respond to Mr. Liebold's claim that NYCA reserves are  
15 not needed to support NYPA or AEC's specific exports?

16 A. I disagree. NYCA operating reserves are in fact used to support  
17 contingencies involving NYPA's generating units. For example,  
18 contingencies at NYPA's Fitzpatrick and Indian Point facilities have  
19 always resulted in a need to call on reserves. In addition, reserves  
20 have also been used to support the loss of the Niagara units as well.  
21 Thus, NYISO operating reserves do support NYPA resources as with any  
22 other resource contingency in the NYCA.

1 Q. Does the Shared Activation of Reserves ("SAR's") between control  
2 areas support Mr. Liebold's claim that operating reserves are not  
3 needed to support NYCA exports, including AEC's?

4 A. No, I have previously explained that this is not the case.  
5 Moreover, during SAR's the interchange schedules at the regional  
6 control centers are changed to send the appropriate reserve pick-up  
7 signals to generators in each Control Area. During this process all  
8 pre-contingency interchange schedules, both imports and exports are  
9 maintained by the NYCA.

10 Q. Please respond to Mr. Liebold's statements with regard to  
11 revising economy interchange schedules.

12 A. Under the NYPP, there were economy interchanges. However, that  
13 is no longer the case. Post NYISO, all transactions are treated in  
14 real time as having firm transmission service (i.e., willing to pay  
15 congestion), so we no longer can "revise economy interchange  
16 schedules". Moreover, there is no support for his argument that  
17 implies that interchange schedules are deemed to be changed during  
18 reserve pick-ups. In fact, the SAR is consistent among all the  
19 control areas in that all transactions of any kind that in place  
20 prior to the need for the SAR are always maintained. Finally, I  
21 would point out that the NERC and NPCC criteria established for  
22 operating reserves is for the sole purpose of having reserves

1 available to replace supply that may be unexpectedly forced out of  
2 service. It is not intended to solve transmission contingencies.

3 Q. How do you respond to Mr. Liebold's claim that AEC will pay twice  
4 because it will pay for operating reserves in Pennsylvania also?

5 A. To the extent that is true, that is an issue that will have to be  
6 taken up with the PJM ISO as one of the "seams" issues that the ISO's  
7 are trying to work out. However, it does not mean that AEC should  
8 not pay the NYISO for the operating reserves that the NYISO must  
9 purchase to support exports.

10 Q. Does that conclude your testimony?

11 A. Yes.