

New York State Investor Owner
Utilities, IOUs, Answer in
Opposition of Appeal of IPPNY
to the DC Proposal as Rejected at
the December BIC

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NY Investor Owner Utilities, IOUs

- Central Hudson Gas and Electric Corporation
- The Consolidated Edison Company of NY, Inc.
- New York State Electric & Gas Corporation
- Niagara Mohawk Power Corporation, a National Grid Company
- Rochester Gas and Electric Corporation

Summary of Answer in Opposition

- Estimated electric retail rate burden estimated at approximately \$500 million per year
 - No guarantee of future reduced energy prices

Summary of Answer in Opposition

- While it is believed that the NY PSC Staff supports an administrate determined ICAP demand curve, the IOU's have no knowledge that the NY PSC Staff supports the DC Proposal.
 - It lacks energy revenue offsets
 - It lacks a phase in approach

Summary of Answer in Opposition

- IOUs have not seen a comprehensive analysis showing a shortfall in total ICAP, energy, and ancillary service revenues to cost of generation
 - No energy offsets in curve for energy & ancillary revenues
 - There have been recent energy market design modifications to increase total generator energy revenues

Summary of Answer in Opposition

- ICAP prices in the ICAP auctions and bilateral markets have not “spiraled to zero” during times of excess
 - The Rest-of-State historical 6-Month strip auction price has been \$1.47/kW-month since May 1, 2000 during times of excess
 - The Rest-of-State bilateral market has not been “spiraled” \$0/kW-month during the past three years.

Summary of Answer in Opposition

- IOUs have not seen assurance that DC Proposal will create assurance for new capital generation projects.
 - IOUs have not seen a guarantee that power suppliers will invest the incremental capacity revenues into New York generation market
 - Unlikely that banks would finance new generation facilities on basis of artificial capacity prices that can change with tariff modifications.
 - Unlikely banks would finance new generation on curve with \$13/kW-year per 1% change in excess supply (310 MW)
 - Unlikely banks would finance new generation based on curve that intersects \$0/kW-year at 126%.