

Suite 900
401 9th Street, N.W.
Washington, D.C. 20004-2128
(202) 585-8000
Fax: (202) 585-8080
Direct Dial: (202) 585-8338
E-Mail: ewhittle@nixonpeabody.com

June 26, 2002

VIA FEDERAL EXPRESS

Honorable Richard J. Grossi
Chairman, NYISO Board of Directors
c/o William J. Museler
Chief Executive Officer
New York Independent System Operator, Inc.
3890 Carmen Road
Schenectady, NY 12303

Dear Chairman Grossi:

Pursuant to the Procedural Rules for Appeals to the ISO Board and Notice of Appeal filed by KeySpan Ravenswood on June 20, 2002, PSEG Power Cross Hudson Corporation respectfully submits three original copies of the attached Motion in Support of KeySpan Ravenswood's Notice of Appeal to the Board of Directors from the Management Committee's decision at its June 19, 2002 Meeting. We have e-mailed a copy of this Motion in Support to Kristen Kranz at the NYISO, and have requested that, upon receipt, she serve it upon each member of the Management Committee via e-mail.

Respectfully submitted,

Elizabeth W. Whittle
Counsel to
PSEG Power Cross Hudson Corporation

cc: Kristen Kranz

**MOTION OF PSEG POWER CROSS HUDSON CORPORATION
IN SUPPORT OF NOTICE OF APPEAL OF
KEYSPAN-RAVENSWOOD, INC. TO THE
BOARD OF DIRECTORS FROM THE MANAGEMENT
COMMITTEE'S DECISION AT ITS JUNE 19, 2002 MEETING**

I. SUMMARY STATEMENT

Pursuant to Sections 5.07 and 7.03 of the ISO Agreement and the Procedural Rules of the ISO Board, PSEG Power Cross Hudson Corporation ("Cross Hudson") hereby files this Motion in Support of the Notice of Appeal (the "Appeal") filed on June 20, 2002 by KeySpan-Ravenswood, Inc. ("Ravenswood"). Ravenswood appeals the June 19, 2002 decision of the ISO Management Committee denying Ravenswood's appeal of the approval by ISO Operating Committee of the "Cost Allocation of New Interconnection Facilities to the New York State Transmission System for projects in Class Year 2001" ("Cost Allocation Report"). Cross Hudson, a proponent of a project included in Class Year 2002, supports Ravenswood's position that the Cost Allocation Report and related cost allocations contained in the Report must be designed: (1) to meet the NYISO's reliability requirements; (2) to be fair in its allocation of costs among developers and transmission owners; and (3) to use reliable data.

Reliability of the New York State bulk transmission system is of paramount importance. Ravenswood's allegations that the ISO has failed to utilize feasible generic generators in its analysis must be investigated. In addition, in order to send proper price signals to the market, so that generation is developed where it is most needed, studies generated and used to determine costs that will inevitably determine which projects move forward and which projects are delayed, must be accurate.

II.

ARGUMENT

The Annual Transmission Baseline Assessment Must Be Comprehensive and Include Existing and Proposed Units; Its Selection of Generic Units, If Any, Must Meet Certain Standards

As Ravenswood points out in its Appeal (at 2), the ISO proposes to allocate \$59.7 million of System Upgrade Costs to developers included in Class Year 2001. As accurately pointed out by Ravenswood (at 3), contrary to the express language in Attachment S, the ISO did not properly select the generic units modeled in the Cost Allocation Report. The generic units selected and included could not have been constructed and made operational in the time period contemplated in the Cost Allocation Report AND these units were considered without examination of the reasonableness of their costs. Clearly, the most feasible generic units are those that mirror projects already synchronized to the grid. The ISO had readily available information respecting the operating units constructed by ConEd and NYPA – units constructed and placed in service by transmission owners to meet reliability -- and should have used the *characteristics* of those units in modeling the ATBA generic units. The effect of this flaw could be considerable – as pointed out by Ravenswood (at 4) “[s]ince both the NYISO and ConEdison have stated that they sought only to minimize system upgrade facility costs in their selection of generic units, the decision to exclude existing units had the effect of shifting costs from transmission owners. . . to developers.” For competitive markets to work and bring cost effective and efficient new generation where it is needed most, costs and cost allocations must be fairly calculated and be responsive to the principle of cost causation.

III. CONCLUSION

Cross Hudson respectfully requests that the Board of Directors reverse the decision made by the Operating Committee to approve the Cost Allocation Report. The Cost Allocation Report is flawed and must be modified so that the generic units may be properly modeled and the information and the resulting System Upgrade Facilities and appropriate cost allocations are reasonable and fairly allocable between transmission owners and developers.

Respectfully submitted,

Howard A. Fromer
PSEG Power
80 Park Plaza
Newark, NJ 07102

Elizabeth W. Whittle
Nixon Peabody LLP
401 Ninth Street, N.W.
Washington, DC 20004

Counsel for
PSEG Power Cross Hudson Corporation

Dated: June 26, 2002