NextEra Energy Transmission New York, Inc.

2021 & 2022 Formula Rate Annual Projection

Response to the New York Transmission Owners' Questions Provided on 12/1/2021

1. Question: *Please provide any errors identified or corrections made by NEET NY since its 2021-2022 Projected Net Revenue Requirement was posted on or before September 30, 2021 or any errors identified in its most recent FERC Form 1. In addition, please provide this information on a continuing basis.*

   Response (1/10/2022):

   NEETNY has not identified any errors in the 2021 & 2022 Projected Net Revenue Requirements, posted on or before September 30, 2021 ("the Projections"). NEETNY has not filed a FERC Form 1.

2. Question: *Please provide a detailed breakdown on a line item basis, grouped by category, with a description of the cost, date or forecasted date to be incurred and FERC Account of project costs that NEET NY categorized as an "unforeseeable" cost resulting in $74,026,469 of unforeseeable costs excluded from the project cost containment mechanism. As an example, a category could include all costs related to a certain body of work, like undergrounding New York Thruway crossing, control center, or environmental, visual, and sound mitigation.*

   Response (1/10/2022):

   Refer to Table 1 below, which is based on the Projections for the breakdown of unforeseeable costs by category. The costs listed are based on the Projections. As of the Projection date, approximately 46% of total estimated project costs have been incurred. At the time the Projections were posted all costs were in FERC Account 107 (construction work in progress). Once the assets are in-service and unitized, the costs will move into their respective FERC accounts within Transmission Plant, Intangible Plant, and General Plant.

Table 1

	Description	Projected Cost ($ Millions)	Explanation for Unforeseeable Classification
Governmental Authority Required	Thruway Horizontal Directional Drill (HDD)	16.7	The independent NYISO estimate assumed overhead crossing for the Thruway. NYSEG's existing overhead transmission lines cross the thruway overhead at the same location. NEETNY applied for a waiver with the New York State Thruway Authority (NYTA) to cross the Thruway that was denied.
	Agricultural Matting	8.2	NEETNY's Environmental Monitoring & Construction Plan (EM&CP) approved by Public Service Commission (PSC) included a requirement to use matting in agricultural areas. NEETNY had planned to remove and replace top soil in agricultural areas.
	Clearing Requirements	4.2	The PSC required extensive tree clearing requirements.
	Wetland Mitigation & Monitoring	3.6	Wetland mitigation required larger tree plantings and the mitigation be implemented during construction.
	Visual Mitigation	0.9	Visual mitigation required for the PSC required steel poles which were taller than the proposed wood poles
Governmental Authority Inaction	Delays / Acceleration / Schedule Compression	21.4	The duration and scope of the Article VII, Section 68, and Section 70 proceedings exceeded the project schedule. This required schedule compression to meet the in-service date.
	Dysinger Soils	3.2	The soil for Dysinger substation needed reinforcement to support substation construction. Project proposed to use excess soils from the E Stolle switchyard at Dysinger. However, the length of timing to get Section 70 approval precluded the ability to utilize the E Stolle soils.
	Vertical Market Power (VMP) Legal/Regulatory Support	0.9	Project costs increased due to the extensive scope and duration of the Section 68 approval
Commercially Unknowable	Engineering & Construction Requirements	7.9	Increased engineering, construction and design requirements due to connecting transmission owner and governental authority requirements.
	Commodity Pricing	3.9	Excessive inflation and global pandemic conditions increased material costs, shipping/freight costs and port delays to receive materials.
	Pipeline AC Mitigation	1.2	Extensive pipeline mitigation and meeting individual design requirements for each pipeline company.
	Mud Creek Bridge	1.0	The final Dysinger site required a bridge to provide access for transported equipment.
	AFUDC on Unforeseeable Items	6.3	
	Total Gross Unforeseeable	**79.5**	
	Unforeseeable Costs Adjustment	-5.5	
	Total Unforeseeable	**74.0**	**Defined 2018 FERC Settlement, 3.3 (b)**

3. Question: *For each category identified in question 2, please describe the changes that caused the project cost and therefore unforeseeable cost overruns and how the costs do not represent foreseeable obligations in the License application process. Please identify which cost overruns are due to modifications to the routing or scope of work, changes in laws and regulations or are the result of a court order or government action as described in the May 25, 2018 Settlement, including but not limited to Article 3.3(b).*

Response (1/10/2022):

Refer to Table 1.

4. Question: *Please illustrate the mathematical determination of the $74,026,469 of unforeseeable costs excluded from the project cost containment mechanism that validates that unforeseeable costs in an amount of 5% of the project costs are part of the contingency and subject to the Cost Containment Mechanism described in Article III of the Settlement Agreement.*[1]

Response (1/10/2022):

Per the settlement agreement, unforeseeable costs equivalent to 5% of the Project's cost cap are subject to the cost containment mechanism. The project cost cap is $110.4M; 5% of the cost cap is $5.5M.

Refer to Table 2 below to find the illustration of the $5.5M applied to the cost containment mechanism on row 12.

Table 2

Cost Contained	$ Millions
Tranmission Line - Engineering	1.0
Tranmission Line - Materials	9.6
Tranmission Line - Construction	27.9
Dysinger Switchyard - Engineering	1.0
Dysinger Switchyard - Materials	17.4
Dysinger Switchyard - Construction	13.4
East Stolle Switchyard - Engineering	0.6
East Stolle Switchyard - Materials	6.5
Easte Stolle Switchyard - Construction	6.4
Environmental, Permitting, Legal, Regulatory, Other	15.3
AFUDC on cost contained items	7.2
Cost Contained - Unforeseeable Cost Adjustment	5.5
Total Cost Contained	**111.9**
Cost Cap	110.4
Overage to Cost Cap	1.5

[1] Offer of Settlement, NextEra Energy Transmission New York, Inc., FERC Docket No. ER16-2719-000 (May 25, 2018).

5. Question: *Please provide a detailed breakdown of Foreseeable Costs by line item, with a description of each cost, date or forecasted date cost was incurred and FERC Account number.*

Response (1/10/2022):

For purposes of a response to this question, NEETNY assumes that Foreseeable Costs are those subject to the cost containment mechanism.

Refer to Table 2. At the time the Projections were posted all costs were in FERC Account 107 (construction work in progress). As of the Projection date, approximately 46% of total estimated project costs have been incurred. At the time the Projections were posted all costs were in FERC Account 107 (construction work in progress). Once the assets are in-service and unitized, the costs will move into their respective FERC accounts within Transmission Plant, Intangible Plant, and General Plant.

6. Question: *Please describe the procurement and cost control methodologies utilized and to what extent they mitigated the projected unforeseeable costs and project cost overruns.*

Response (1/10/2022):

The procurement processes utilized on the Empire State Line project (ESL) are the same processes NextEra has successfully utilized to support its corporate-wide capital investment plan – one of the top five capital deployments of any company across the nation. A tenet of the procurement process is competition. Major material and service procurements are competitively solicited to bring the best value to the company. Due to the scale of the organization's procurements NextEra can leverage better pricing and favorable delivery times.

The procurement process is administered by NextEra's Integrated Supply Chain ("ISC") management. On the ESL project, required goods and services were identified by subject matter experts and specifications or scopes of work ("SOW") were prepared. The SOW was issued to approved vendors soliciting pricing and delivery terms ("RFP"). Review of the technical responses to the RFP were led by the SMEs and review of the commercial terms were led by ISC. The successful vendor was selected based upon price, demonstration of understanding the scope of work, delivery capability, quality, safety, and other factors.

Post-contract award, the SMEs are responsible for ensuring the products are delivered to the SOW. During the manufacturing process this includes review and approval of manufacturing drawings, periodic meetings with the vendors, and factory inspections of select materials. Vendors are responsible for the delivery of the materials to the project site.

Cost control methodologies begin with the establishment of the project accounting to capture and monitor all project expenditures. The project management ("PM") team is responsible for managing the project execution to best manage project costs. The project management team consists of project managers, project cost specialists, and project schedulers. The PM team continually monitors the project performance to assess the project's performance against the project schedule and cost estimate. The monitoring is performed through regularly scheduled project team meetings including weekly senior management and monthly executive management reviews, discussions with suppliers and project team members, site visits, invoice review and project financial report review. The PM team also prepares and manages a risk register. The risk register lists potential impacts on the project's schedule and budget. The PM team is supported by a shared services organization that can be leveraged to support project

execution. This includes the legal services team and the regulatory relations team. As external risks (i.e., regulatory risks) are identified, these teams can be leveraged to mitigate them.

The majority of the unforeseeable costs were driven by changes to the scope of work or inaction by governmental agencies. The cost control methodologies utilized on the ESL project had an impact to minimize the total unforeseeable costs while maintaining the ability to deliver the project to the required schedule. The regulatory and legal teams engaged the regulators to advance regulatory approvals faster than they were otherwise tracking. Similarly, once work scope changes were identified, NextEra leveraged the aforementioned cost control processes and methodologies to minimize the cost impacts.

7. Question: *Given that the project is overbudget and is not yet in-service, how will additional costs incurred prior to Commercial Operation be treated? What are the additional expected costs to be incurred that are not included in the current projection?*

Response (1/10/2022):

The projected foreseeable costs – those costs subject to the cost containment – are only slightly higher than the estimate from over six years ago.

The Projection includes all costs expected to be incurred by the project, as of September 30, 2021. There were no known costs, yet to be incurred, omitted from the Projection.

Any additional costs incurred prior to Commercial Operation but which were not reflected in the Projection will be reflected in a true-up that will be posted in June 2022 (for the 2021 Projection) and June 2023 (for the 2022 Projection).

8. Question: *Please provide a detailed breakdown of the overheads (both corporate and project) that have been applied to the project to date and are forecasted to be applied to the project along with a description of the accounting methodology that supports the allocation of overheads.*

Response (1/10/2022):

NEETNY utilizes a direct charging methodology for project costs, including internal payroll. The project does not receive corporate/project overheads.

Dated: January 10, 2022