

**NYPA Responses to July 19, 2017 Information Requests of
New York Association of Public Power Under
NYPA's Annual Review Procedures**

(August 2, 2017)

NYAPP 1-1. Referring to Schedule A2, please explain why the amounts in Accounts 920, 921, 923 and 926 increased.

Response:

Account 920 A&G Salaries: The 5% increase in the 920 Account is due to 45 additional positions filled, as well as 3% salary increases in 2016 for the existing positions.

Account 921 Office Supplies & Expenses: IT software maintenance and planned Cyber Security expenses are the main drivers of the \$4 million increase in the 921 Account.

Account 923 Outside Services Employed: The \$3 million increase is due to an increase in consulting costs under Corporate Support for projects that commenced in 2016 including: the preliminary expenses on AC Proceeding, Knowledge Management strategic initiatives related projects, Cyber Security and outside counsel retained for BG flooding legal expense.

Account 926 Employee Pensions & Benefits: The recorded pension expense increased from \$18 million in 2015 to \$34 million in 2016 due to a change in the NYS Pension Fund's actuarial assumptions, including lowering the long-term investment rate of return for the retirement fund from 7.5% to 7.0%, as well as a decrease in the fair market value of the investment portfolio at the end of the state fiscal year in March 2016.

NYAPP 1-2. Referring to Schedules B1 and B2, please explain why the depreciation expense for General Plant on Schedule B1 does not equal that shown on Schedule B2 (\$25,908,444 vs. \$25,913,354).

Response:

St. Lawrence depreciation expense for Account 393 was inadvertently omitted from the worksheet that supplies the inputs to Schedule B1, resulting in a \$4,910 difference between the two schedules. As a result, the ATRR for 2017 Rate Year is understated by \$2318. In accordance with Section 14.2.3.2.4 of the Protocols ("Changes Pursuant to the Annual Update Process"), correction for omitting these expenses will be made through the True-Up Adjustment in the 2018 ATRR (Schedule F3) which will include a Prior Period Adjustment in column 7.

NYAPP 1-3. Referring to Schedule B2, (or Work Paper AR-Cap Assets) please describe the plant that was added to Transmission and General to explain the \$161 million and \$88 million increases, respectively.

Response:

The main projects contributing to the \$161 million increase in the total NYPA Transmission Electric Plant In Service in 2016, are multiple planned T-LEM and Marcy South Series Compensation projects.

The main additions to the NYPA General Electric Plant In Service include upgrades to the Niagara Project Power Vista visitor center, upgrade to the Marcy-Clark Energy Management System, St. Lawrence-Robert Moses State Park Nature Center, various IT projects, applications and initiatives.

NYAPP 1-4. Referring to Schedule F2, please correct this Schedule with the appropriate amount in line 1.

Response:

The link to Schedule C1, line 10, Col. 5 was erroneously deleted in the Excel version of the Template, and thus failed to populate in the Template posted for the 2017 Annual Update. In its 2018 Annual Update, NYPA will populate Line 1 to be consistent with the cited reference. The absence of this link does not have any impact on the 2017 ATRR.

NYAPP 1-5. Please provide a description of the ATRRs that have been in effect since January 1, 2015, with the effective date, the amount of ATRR in effect each month (e.g., the annual amount), and explain whether that amount has been true-up and in what filing the true-up was performed.

Response:

Revenue Requirement Schedule			
Year	Updates to RR	RR	True-Up
2015	Prior to April 1, 2016 - Stated Rate	\$ 175,500,000	no
2016	April 1st, 2016- June 30th, 2016	\$ 189,954,660	no
2016	July 1st, 2016 - December 30th, 2016	\$ 198,225,405	no
2017	July 1st, 2017 - June 30, 2018	\$ 212,109,256	9 months of 2016

NYAPP 1-6. Referring to Schedule F3:

a. Please provide supporting documentation showing the amount of Actual Revenues Received shown in column 4.

Response:

	<u>2016 Total</u>
Revenues from Transmission of Electricity of Others-NTAC* 1/	127,753,870
Revenues from Transmission of Electricity of Others via Power Rates /2	18,787,500
Total Revenue Requirement 3/	146,541,370
1/ Y49, Alcoa, ISO NTAC Revenues, Excess TCC Revenues, Brookhaven etc	
2/ SENY Load	
3/ RR reflects revenues for April 1, 2016 - December 31st , 2016.	

<u>MSSC Revenues</u>	<u>Total</u>
Auction Revenues	1,694,455.80
Congestion Rents	(1,410,903.32)
Outages	(328,453.35)
	(44,900.87)

b. Referring to the amount of Actual Revenue Received for MSSC, please explain how NYPA incurred costs of \$44,901 in 2016.

Response:

Please see above table for details on MSSC.

c. Please confirm that the header to column 5 should refer to Schedule F1, not F2.

Response:

Yes, the column 5 header should refer to Schedule F1, not F2. The inputs in the column 5 cells are properly supplied from Schedule F1.

- d. Please provide the date on which the MSSC became operational for accounting purposes.

Response:

The MSSC was capitalized by NYPA's Accounting department for depreciation purposes commencing August 2016.

- e. Referring to Line 2, column 6, please confirm that the Subtotal should be the sum of Lines 1a and 1b.

Response:

Confirmed. The formula that populates that cell will be corrected in 2018 Annual Update. The Template properly uses the correct Lines 1a and 1b values in column 6 to determine the total True-Up Adjustment in column 10.

- f. Please explain why the Applicable Interest Rate in column 8 uses the monthly rate calculated in line 24 (Excel H68) divided by 12 again.

Response:

The Applicable Interest Rate was inadvertently divided by 12 again. In accordance with Section 14.2.3.2.4 of the Protocols, correction of this error will be reflected in the 2018 Annual Update as a Prior Period Adjustment.

- NYAPP 1-7.** Referring to Work Paper AI, line 2, please explain why the Windfarm Station Equipment should be included in Transmission Plant as part of the Property Insurance Allocator.

Response:

The Windfarm assets are owned by the Authority, but because they were funded by other parties, the assets themselves are properly excluded from the Rate Base determination used in the Template. However, these NYPA-owned assets are covered by property insurance, so these assets are correctly included in the allocation of the property insurance expenses.

NYAPP 1-8. Referring to Work Paper BG, please explain why Relicensing Costs are considered General Plant, and describe how the depreciation expense is calculated for this plant.

Response:

Note that relicensing expenses have always been excluded from the ATRR as part of the Template's initial design. NYPA's testimony filed in its 2016 formula rate proceeding explained the adjustments to general plant capital, and among them was the exclusion of relicensing expenses. Prepared Direct Testimony of Scott Tetenman, Exhibit PA-101 at 24-25, Docket No. ER16-835-000. The relicensing expenses are determined on Work Paper BG, and their exclusion or reclassification so that they are removed from general plant is shown in two ways: First, on Schedule B2-Adjusted Plant In Service, in the "Adjustments to Rate Base" under the "GENERAL" category, the relicensing costs from Work Paper BG are excluded and the depreciation expense component of relicensing, \$15,599,769, is separately identified. Second, on Schedule B1-Annual Depreciation and Amortization Expenses, the same \$15,599,769 is deducted from "General Plant" in column 3. Depreciation expense associated with relicensing costs is determined in accordance with FERC which allows the amortization over the term of the licenses, but these are not ATRR costs.

NYAPP 1-9. Referring to Work Papers BE and BH, and Schedule B2, please explain the Asset Impairment related to the Marcy FACTS/CSC, and describe why this asset impairment should be added back to rate base in Schedule B2 while the FACTS amounts are removed from rate base.

Response:

NYPA receives compensation for FACTS through Transmission Congestion Contract rents administered by the NYISO. Since Asset Impairment in Work Paper BH is related to the FACTS assets, it is removed from the revenue requirement calculation the same way the FACTS plant is handled. Work Paper BC, includes the detail of plant in service that ties to NYPA's financial reports. FACTS plant in service is included as a positive amount within the Massena – Marcy Plant-In-Service (line 10z on WP-BC) and so is the FACTS asset impairment as a negative amount, partially offsetting the positive plant in service. In Schedule B2 under Adjustments to Rate Base, both FACTS plant in service (negative \$44.5M) and FACTS Asset Impairment (positive \$30M) are removed from the ATRR.

NYAPP 1-10. Referring to Work Paper BI, cost of removal is added back in for Transmission and General Plant on Schedule B2, but B2 does not show a similar action for Production Plant. Please explain this discrepancy and state whether this has any impact on costs allocated to the ATRR.

Response:

Since Production Plant is not part of the transmission revenue requirement, the approved Template was not designed to report a similar action. There is no impact on costs allocated to the ATRR.

NYAPP 1-11. Referring to Work Paper DB, please explain why the amounts shown for Long Term Debt Outstanding do not match the amounts shown in the FERC Form 1 Equivalent at page 246-257.

Response:

The reporting of the Long Term Debt in the Template Work Paper DB follows FERC's standard requirements and is as agreed per the settlement approved in Docket No. ER16-835-000. The difference between the Net Proceeds Long Term Debt as reported in the Template (\$859,289,624 on line 4 of Work Paper DB) and the Long Term Debt Outstanding in the NYPA Form 1 Equivalent (\$867,804,541 on Page 256-257 at line 35, column L) is \$8,514,917 reported as Unamortized Debt Expenses in the NYPA Form 1 Equivalent on Page 111, line 69.

NYAPP 1-12. Referring to Work Paper EA and the FERC Form 1 Equivalent at page 354, please explain why the Total Production and Transmission of \$145,306,735 does not equal the total of Lines 20 and 24 of page 354 (\$104,608,463).

Response:

When summing Total Production and Transmission in the NYPA Form 1 Equivalent on Page 354, the following lines need to be included to tie out to the Total Production and Transmission amount shown on Work Paper EA:

DISTRIBUTION OF SALARIES AND WAGES		
Line	Classification	Direct Payroll
No.	(a)	Distribution
		(b)
4	Transmission	19,846,157
14	Transmission	19,744,026
17	Administrative and General	1,108,087
20	Production(Enter Total of lines 3 and 13)	103,178,380
24	Customer Accounts (Transcribe from line 7)	1,430,083
Total Production and Transmission		145,306,735