

**NYPA Responses to August 3, 2022 Information Requests of
New York Association of Public Power Under
NYPA's Annual Review Procedures
(August 16, 2022)**

NYAPP 1-1 Referring to Responses to NYAPP dated August 10, 2021, which stated:

NYAPP 1-4 Referring to Work Papers AB and AG, please explain why AG line 3a shows the Marcy/Clark Transmission property insurance as -\$23,224, while AB shows an amount equal to \$428,375 on line 1ao, column 24.

NYPA Response:

The amount of property insurance expense for Marcy/Clark is correct on Workpaper AB. Workpaper AG is incorrect and needs to be updated to reflect the amount of \$428,375. This will be corrected as an adjustment in the July 2022 Annual Transmission Revenue Requirement update.

Please explain where in the July 2022 Update this correction has been made.

NYPA Response:

\$473,098 was included in NYPA's July 2022 Annual Update on Schedule F3, page 2 of 2, column c, lines 25-25b. This is to correct the under collection of Marcy/Clark Transmission property insurance posted as a \$23,224 credit in NYPA's July 2021 Annual Update. This amount includes the correct \$428,375 insurance expense, reversal of the \$23,224 credit applied, \$4,198 of associated Cash Working Capital, and \$17,301 applicable interest.

NYAPP 1-2 Referring to Schedule B2, lines 19-20, and WP-BC, line 13, the Total General Plant amount of \$1,527,915,847 does not agree with that in NYPA's FERC Form 1 Equivalent at p. 204-207, line 99, which is \$1,512,660,664.86. Nor does the accumulated plant information exactly match between the FERC Form 1 Equivalent at p. 219 and line 20 minus line 22 on Schedule B2. Please explain these inconsistencies.

NYPA Response:

Schedule B2 and WP-BC, line 12bo and 12ch include FERC Account 121 (Non-utility Property) assets that are excluded from the NYPA Form 1 Equivalent Electric Plant in Service and excluded from the Formula Rate. Items in FERC Account 121 include the non-recoverable portion of New York Energy Manager (NYEM) assets in the amount of \$597,048 and Evolve & Re-Imagine assets in the amount of \$14,658,134. Evolve refers to "EVolve NY," the State's program to expand electric vehicle charging, and Re-Imagine refers to the "Reimagine the Canals" initiative of the Canal Corporation which is a NYPA subsidiary. Both quantities are shown as Excluded Plant in Service on WP-BB, lines 24a-24b. These items also appear in accumulated depreciation on Schedule B2, which is sourced from WP-BC showing NYEM - \$298,102 on line 12ch and Evolve & Re-

Imagine - \$671,037 on line 12bo. While these items are part of NYPA's 2021 Annual Report, they are excluded from the NYPA Form 1 Equivalent because they are not recoverable under NYPA's Formula Rate.

NYAPP 1-3 Referring to Schedule B2, line 10, please explain why NYPA adds back to rate base the \$30 million Transmission-Asset Impairment. This amount is credited to the total shown at line 6 of this schedule, shown on WP-BC, line 10bq.

NYPA Response:

There is zero net impact to add this \$30 million Transmission Asset Impairment (line 10) to Schedule B2. This amount reflects the write-off for accounting purposes, to adjust the book value of the FACTS Project assets to their current value. This impairment amount is subtracted from WP-BC, line 10bq to reconcile to the Balance Sheet included in NYPA's 2021 Annual Report. Due to the structure of the Formula Rate, the impairment write-off must be added back to Schedule B2. However, it is subsequently deducted as a component of the total FACTS plant-in-service on line 13 of Schedule B2, because the FACTS project is excluded plant in NYPA's Formula Rate.

NYAPP 1-4 Referring to Schedule B2, line 12, and WP-BF, line 1e, please explain the removal of the Handy Whitman Index retirement amount of -\$5.820 million in 2021, which has increased accumulated depreciation by the same amount.

NYPA Response:

In 2020, NYPA included an adjustment for the Handy Whitman Index retirement on WP-BF. The adjustment was to decrease electric plant in service and to decrease accumulated depreciation by the same amount. As a result, the adjustment had no impact on Net Electric Plant. In 2021, this adjustment was omitted as it has no impact on Net Electric Plant.

NYAPP 1-5 Referring to WP-BC, line 12n and WP-BA, line 3o, please explain what Headquarters computer equipment assets were purchased that caused the \$58.8 million increase in plant-in-service and \$7.5 million increase in depreciation expense between 2020 and 2021. Please describe the computer equipment purchased.

NYPA Response:

See the table below for the requested information.

Item		Brief Description
Customer Digital Experience	\$19M	Improve customer digital experience to align with NYPA's strategic goal to be leading digital utility.
Cyber Resiliency	7M	Strategic efforts to improve service, delivery and security.

Data Management	6M	Recognition of “data-as-an-asset” and the acquisition and implementation of related integrated technology solutions.
Strategic Supply Management Operating Model	3M	Development of SAP Ariba for business-to-business cloud-based procurement and supply chain solutions to diversify the supply chain.
iSOC Information Services Work - OSI PI	3M	An enterprise-wide database that collects instrumentation data from NYPA's operating facilities and provides a method in which to trend and visualize the information.
Bid to Bill APP Implementation	3M	An automated "end-to-end" solution that can seamlessly integrate with our existing Load Scheduling and Metering process, replace the energy bidding processes to NYISO, monitor and track confirmations and settlement information received from the NYISO, and integrate with SAP for accounting review.
Core IT Infrastructure Life Extension and Modernization (LEM)	3M	Focused on the procurement, implementation, and replacement of End-of-Life and End-of-Service components, acquisition of new capabilities, and continued alignment to organizational strategy.
Enterprise Storage Project	2M	Replace the current on-premises computer and storage infrastructure with a scalable state-of-the-art solution that takes advantage of new industry trends (such as Cloud Computing) to deploy a Private Cloud.
Other	12M	Smaller projects generally less than \$1M.
Total	\$58M	

NYAPP 1-6 Referring to WP-BC, lines 10n and 10o, the Long Island Sound Cable underground plant in Accounts 357 and 358 appears to have become fully depreciated. Please explain whether the repairs being conducted by NYPA on behalf of LIPA will result in any additional plant added to these accounts. If the answer is yes, please provide an estimate of the projected cost of new plant, and state whether LIPA customers will be allocated any portion of this new plant.

NYPA Response:

The \$32.6M Y-49 cable repair costs will not result in any additional investment added to Long Island Sound Cable underground plant for Accounts 357 and 358 shown on WP-BC, lines 10n and 10o, as this item was a maintenance expense and charged accordingly.

NYPA has a capital project related to the Long Island Sound Cable facility - the \$84.3M Y-49 Nassau Segment Reconductoring capital project, as discussed in NYPA’s Transmission Capital Expenditure Plan for 2023-2027 presented to stakeholders on June 21, 2022. This project will be added to the applicable Long Island Sound Cable asset on WP-BC. After the termination of NYPA-LIPA Y-49 Contract later this year, LIPA will no longer make direct payments to NYPA for use of the facility. The costs associated with the Long Island Sound Cable facility

will continue to be included in NYPA’s Formula Rate and recovered via load ratio share methodology along with all NYPA backbone facilities as part of NTAC.

NYAPP 1-7 Referring to the Addendum to the Annual Update, please provide the NYPA-LIPA Y-49 Contract and explain more fully how the revenues received from LIPA for maintenance will offset the NTAC revenue requirement.

NYPA Response:

The NYPA-LIPA Y-49 Contract is defined in NYPA’s Formula Rate Implementation Protocols (NYISO OATT Section 14.2.3.2.7) as the existing 1987 contract for the sale of transmission service on the Y-49 Facility by NYPA to LIPA, which predates the NTAC. NYISO OATT Section 14.2.2.2.1 (“NTAC Formula”) specifies that “Monthly Net Revenues from Modified Wheeling Agreements, Facility Agreements and Third Party TWAs, and Deliveries to directly connected Transmission Customers” should be booked as the EA component and be subtracted from the $ATRR_{NTAC}$ in the calculation of the NTAC rate. Therefore, revenues from LIPA under the contract reduce the NTAC monthly transmission revenue requirement that is billed to load serving entities.

NYAPP 1-8 Referring to WP-BC, and the increases in the transmission accounts listed below, please explain what additional assets were added to each account during 2021.

<u>2020-2021 Increase</u>	<u>Plant Name</u>	<u>A/C</u>	<u>Description</u>
\$39,158,955	MASSENA - MARCY (Clark)	353	Station Equipment
\$10,150,831	MASSENA - MARCY (Clark)	356	Overhead Conductors & Devices
\$62,060,818	NIAGARA	353	Station Equipment
\$21,575,399	NIAGARA	356	Overhead Conductors & Devices
\$38,236,352	St. LAWRENCE / FDR	353	Station Equipment
\$134,154,228	St. LAWRENCE / FDR	355	Poles & Fixtures
\$8,608,240	St. LAWRENCE / FDR	356	Overhead Conductors & Devices
\$35,658,536	St. LAWRENCE / FDR	359	Roads & Trails
\$349,603,358			
\$363,045,674	TRANSMISSION TOTAL		

NYPA Response:

Plant Name	A/C	Description	Amount	Major Assets
Massena - Marcy (Clark)	353	Station Equipment	\$39,158,955	\$18.5M - Marcy Switchyard LEM \$8.5M - Sensor Deployment \$6.0M - 765KV Motor Operated Disconnect switches \$4.5M - Protective Relay Replacement LEM
Massena - Marcy (Clark)	356	Overhead Conductors and Devices	10,150,831	\$10.2M - Communications Backbone

Niagara	353	Station Equipment	62,060,818	\$25.3M - Upgrade of protective relays \$20.5M - Sensor Deployment \$16.3M - Switchyard LEM
Niagara	356	Overhead Conductors and Devices	21,575,399	\$21.6M - Communications Backbone
St. Lawrence/ FDR	353	Station Equipment	38,236,352	\$20.4M - Breaker and Relay Upgrade \$17.0M - Sensor Deployment
St. Lawrence/ FDR	355	Poles & Fixtures	134,154,228	\$134.1M - Smart Path
St. Lawrence/ FDR	356	Overhead Conductors and Devices	8,608,240	\$8.6M - Smart Path
St. Lawrence/ FDR	359	Roads & Trails	35,658,536	\$35.7M - Smart Path
			\$349,603,359	

NYAPP 1-9 Referring to Schedule C1, please explain why CWIP is not calculated as an average of beginning and ending year balances.

NYPA Response:

In NYPA's Formula Rate, the bottom of Schedule C1 points to page 216, line 1 of the NYPA Form 1 Equivalent. The amount on page 216 is the end of year CWIP balance for Segment A of the AC Transmission Project.

NYAPP 1-10 Referring to Schedule E1, line 2, the FERC Form 1 Equivalent amount for Transmission is incorrect. Please explain why.

NYPA Response:

The Transmission labor amount (salaries and wages) of \$45,236,974 included on Schedule E1, line 2 is correct. The \$45,242,712 reported on the NYPA Form 1 Equivalent (line 4 Transmission Operation \$27,478,814 and line 14 Transmission Maintenance \$17,763,898) inadvertently includes \$5,738 of Administrative and General labor, but this has no impact on the transmission labor ratio of 35.07%.

NYAPP 1-11 Referring to WP AR-BS, lines 18-19, please explain why the long-term debt shown does not comport with that shown on WP-DB or the FERC Form 1 Equivalent at p. 112.

NYPA Response:

The reported amount on WP-DB line 3e for long-term debt is \$1,602,255,000, which excludes amounts reported on line 3f unamortized discount \$5,686,318, and line 3i premium \$69,707,868. If added together, they sum to \$1,666,276,550.

WP-AR-BS long-term debt amount reported \$1,664,791,550, excludes the portion of the long-term debt due within one year of \$1,485,000, which is reported under the “current liability section” of the Balance Sheet. If added together, they also sum to \$1,666,276,550.

NYAPP 1-12 Referring to WP Reconciliations, please explain the purpose of this workpaper, as it does not provide explanations for why differences exist between NYPA’s Annual Report and the ATRR calculated in the formula (for example, please explain why the long-term debt and interest on long-term debt amounts shown at lines 4 and 5 of this work paper do not agree).

NYPA Response:

Given the limitations of the current structure of the WP-Reconciliations in NYPA’s Formula Rate, NYPA has created a supplemental WP-Reconciliations sheet that reconciles the differences between the NYPA 2021 Annual Report and the Formula Rate template. The supplemental WP-Reconciliations sheet was posted separately with other materials in the July 2022 NYPA Annual Update.

For financial reporting purposes, interest on long-term debt on NYPA’s 2021 Annual Report and WP-AR-IS, line 8b, includes a reduction of capitalized interest, relating to the issuance of 2020 debt, that inadvertently was not reported as Interest Capitalized on WP-AR-IS, line 8d. The ATRR includes the gross interest amount incurred on debt in order to determine the appropriate cost of debt for cost recovery.

NYAPP 1-13 Referring to Schedule F3, column 4, and the FERC Form 1 Equivalent at p. 300, footnotes, which states that “[t]he NTAC revenue in line 9 already reflects a credit of \$162,820.00 in microwave tower rental income, therefore including that amount in line 5 above would be inappropriate,”

- a. Please explain how \$241,286,765 from Schedule F3, line 1a, column 4, and the \$162,820 described in the note equals the \$241,526,918 shown on line 9.
- b. If the \$241,526,918 includes the microwave rental credit, and the NTAC formula also reflects the credit, why should the credit be applied once again?
- c. Please provide the spreadsheet upon which the revenues received in 2021 were based.
- d. Please provide information supporting the Prior Period Adjustment in column 7 and lines 25-26.

NYPA Response:

- a. The \$162,820 is reflected as an adjustment on Schedule A1 of the Formula Rate (it is treated as a revenue credit), and it is excluded from the NYPA Form 1 Equivalent on page 300. The \$241,286,765 and the \$241,526,918 both exclude the \$162,820 microwave tower rental credit.

The \$241,526,918 represents revenues from Transmission of Electricity of Other-NTAC, reported on line 9 of NYPA's Form 1 Equivalent. There are various reconciling items reported on NYPA's Form 1 Equivalent on page 300, lines 10 through 24, which are accounted for in the total NTAC Revenue received of \$241,286,765 (reported on line 29).

- b. The \$162,820 microwave tower rental is reported as a credit only on Schedule A1 (Operation & Maintenance Expense Summary) and appropriately excluded from the NTAC Revenue on page 300.
- c. Please see below table with the breakout of the \$241,526,918 as reported on NYPA Form 1 Equivalent page 300 line 9:

Sales for Resale-Transmission	\$ 9,002,469
Commercial & Industrial Transmission Sales	8,759,411
ISO NTAC Revenues	125,240,296
Excess TCC Auction Revenues	72,328,589
NTAC True-Up Revenues	<u>26,196,153</u>
Total Revenues	\$ 241,526,918

- d. The Prior Period Adjustment in column 7 and lines 25-26 is to adjust the \$428,375 property insurance expense for Marcy/Clark, which was inadvertently misstated on Workpaper AG in the July 2021 Annual Update, as discussed in NYPA's 2022 Informational Filing on March 14, 2022. Please also see the response to NYAPP 1-1 for more information.