



June 28, 2024

New York Power Authority

**Addendum to Annual Update Provided in Accordance with Section 14.2.3.2.2 (d)
of NYPA's Formula Rate Protocols**

This addendum provides additional information with respect to certain Schedules and Work Papers within the Formula Rate template. All capitalized terms and initialisms not defined herein have the same meaning as set forth in NYPA's Formula Rate Protocols contained in the NYISO tariff.

1. Supplemental Work Paper WP-AR-Cap Assets

The Formula Rate template includes additional financial information for section 2-Electric Plant in Service & Depreciation of the Work Paper WP-Reconciliations, due to necessary revisions made to WP-AR-Cap Assets. This supplemental work paper contains added information which does not factor into the ATRR development and is purely informational for reconciliation purposes.

2. Prior Period Adjustments

The Formula Rate template includes a credit to customers of \$3,411,904, plus applicable interest, through the existing Prior Period Adjustment mechanism, as set forth in the settlement approved in Docket No. ER23-491-000, which resolved the outstanding issues concerning NYPA's use of the multi-factor Modified Massachusetts Allocation method for Administrative & General ("A&G") costs that are not directly assigned.

Second, during the 2024 Annual Update Process, NYPA discovered that the depreciation expense for relicensing asset information on WP-BG, and NextGen Niagara assets on WP-BC were not accounted for properly in developing the Projected ATRR for the 2023 Rate Year. Additionally, production O&M cost related to Advanced Analytics Hydro Start and Stop Analysis for the development of 2022 and 2023 Rate Years were also inadvertently included as A&G costs on WP-AB. These resulted in a net under-recovery of \$623,124 which will be included with interest, as a Prior Period Adjustment in the 2024 Annual Update.

The net Prior Period Adjustment included in 2024 Annual Update for these two components is a credit of \$2,788,780, plus applicable interest.

3. Conversion to 13-month average method for rate base items and capitalization

The Formula Rate template adopts this method for calculating plant balances as proposed in NYPA's April 29, 2024 FERC filing, to which no party protested or commented. Although FERC issued a deficiency letter on June 26, 2024 in Docket No. ER24-1866-000, directed solely to NYPA's recovery of costs related to "right to use" assets (also part of the April 29 filing, see item 4 below), this was too late for NYPA to undo the template revisions prepared for the Annual Update. NYPA will refund with interest any collections deemed unauthorized through its Prior Period Adjustment mechanism in the 2025 Annual Update.

4. Accounting Changes related to adoption of GASB Statement No. 87, *Leases* & GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* and cost recovery for "right to use" assets in Annual Update

GASB No. 87, *Leases* was initially adopted by NYPA in 2022 and the costs associated with the Astoria Energy II ("AEII") plant were determined to no longer meet the definition of a lease under the accounting rule, but represent instead a "right to use" asset. This change had no impact on the 2023 ATRR development as AEII costs are excluded from ATRR recovery.

NYPA adopted GASB No. 96, *Subscription-Based Information Technology Arrangements* ("SBITA") in 2023, effective January 1, 2023. GASB No. 96 requires recognition of certain subscription assets and liabilities for SBITA which were previously either capitalized or expensed. It establishes that a SBITA results in a right to use subscription asset and a corresponding subscription liability.

The 2024 Annual Update includes a \$5,758,861 amortization expense of right to use assets and associated \$338,660 of interest on Work Paper WP-AB, consistent with the Accounting Changes discussed and related Formula Rate template modifications sought by NYPA in Docket No. ER24-1866-000. On WP-AB, these amounts are included in FERC Accounts 403.1 and 430.1, respectively. Per FERC's June 26 deficiency letter, NYPA will provide answers to explain why its proposal is consistent with FERC's rules for accounting, and request FERC to issue an order to permit the template changes to be effective on July 1, 2024, as originally proposed.

5. CEEC Asset in Service and Cost Cap

Central East Energy Connect, previously named AC Project Segment A, includes the various components of the double-circuit Marcy to New Scotland project proposed jointly by LS Power Grid New York Corporation I and NYPA that was selected by the NYISO Board of Directors as the more efficient or cost-effective transmission solution from the competing projects to address the public policy-based transmission need to increase Central East transfer capability. The construction of this project was completed and energized in December 2023. Total asset in service amount for this project as of 12/31/2023 and included in this 2024 Annual Update is \$224.9M, with \$173.8M as included cost which is subject to the \$189.9M cost cap and the remaining \$51.1M as excluded project development and third-party cost and not subject to the cost cap. The project is currently in the closeout phase and final cost and cost containment impacts will be provided in future applicable Annual Updates consistent with the NYPA Protocols.

6. Nonutility Profit Center Cost Detail

The 2024 Annual Update includes on Work Paper WP-AB (Operation and Maintenance Detail) new entries under FERC Account 4171 that split out nonutility operating expenses into “directly assigned” and “indirectly allocated” amounts. This carries out the transparency commitment in NYPA’s settlement in Docket No. ER23-491-000. These entries have no ATRR impact.

Attachment.