

**Additional Comments of LS Power Grid New York, LLC on  
Draft Tariff Changes for Cost Containment for  
Transmission Project Evaluation in Public Policy Process  
September 11, 2019**

LS Power Grid New York, LLC (“LS Power”) offers the following comments in response to the proposed tariff changes related to cost containment presented at the September 6, 2019 Electric System Planning Working Group (“ESPWG”) meeting.

Treatment of Environmental Mitigation Costs

The changes to Section 31.4.5.1.8 provide clarity regarding environmental remediation, but not regarding environmental mitigation. LS Power’s prior comments were related to environmental mitigation, specifically the type of requirements that may arise from Article VII approvals such as mitigation of impacts to wetlands or threatened and endangered species. Developers and utilities will not know all of the mitigation that will be required in an Article VII approval, but that should not excuse the omission of costs related to reasonably foreseeable mitigation requirements, such as matting and wetlands offset requirements set forth in recent Article VII approvals. All developers should be required to make the same assumptions regarding undergrounding of river and Thruway crossings. Such environmental mitigation costs could be a significant percentage of the overall project costs in New York.

LS Power suggested in prior comments addition “expected environmental mitigation” to the elements that the ISO will present in the technical conference identified in Section 31.4.4.3.1 to provide a common baseline of environmental mitigation to be included in proposals. An alternative would be to explicitly describe “environmental mitigation required in recent Article VII approvals by the NYPSC” as an element of “reasonably expected environmental remediation and environmental mitigation costs” under Section 31.4.5.1.8.1.1.

Use of Independent Cost Estimate vs. Cost Containment Bid

Section 31.4.8.2.1.1 still provides that ISO will use a hard Cost Cap in the evaluation, even if the hard Cost Cap is greater than the independent consultant estimate. In the September 6 meeting, this was supported as the estimate of the maximum exposure to ratepayers. The problem is that this does not represent an apples-to-apples comparison. An uncapped bid and a soft Cost Cap will be evaluated at the independent consultant estimated cost, which does not represent the maximum exposure to ratepayers. In fact, the maximum exposure to ratepayers of an uncapped proposal (or even a soft cap) is infinite. Take, for example, a scenario of two identical proposals an independent consultant estimate of \$100 million: one with a hard cap of \$125 million (25% additional contingency) and one with no cap. The hard Cost Cap proposal is evaluated at the maximum exposure of \$125 million but the uncapped proposal is evaluated at the expected cost of \$100 million. This unfairly penalizes the hard Cost Cap proposal in the evaluation. The end of Section 31.4.8.2.1.1 should state, “...ISO will use the lower of the ISO’s independent consultant estimate or amount of the Developer’s Cost Cap as the amount for Included Capital Costs.” Alternatively, if the NYISO wants to evaluate the maximum exposure to ratepayers, Section 31.4.8.2.2 could be revised to “(ii) The effectiveness of the proposed Cost Cap in protecting ratepayers from Included Capital Cost overruns based on the maximum exposure to ratepayers;”