

**BEFORE THE STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

Proceeding on Motion of the Commission)
To Review Generation Retirement) **Case 12-E-0503**
Contingency Plan)

**COMPLIANCE FILING OF
CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
AND NEW YORK POWER AUTHORITY
WITH RESPECT TO DEVELOPMENT OF INDIAN POINT CONTINGENCY PLAN**

Pursuant to the November 30, 2012 *Order Instituting Proceeding And Soliciting Indian Point Contingency Plan* (“November 30th Order”),¹ of the New York State Public Service Commission (“Commission”), Consolidated Edison Company of New York, Inc. (“Con Edison”) and the New York Power Authority (“NYPA”) hereby submit their Indian Point Contingency Plan (the “Plan”).

I. EXECUTIVE SUMMARY

In its November 30th Order the Commission directed Con Edison with the assistance of NYPA to “develop a contingency plan for the potential closure of Indian Point upon the expiration of its existing licenses by the end of 2015.”² As shown herein, the Plan is responsive to the requirements set forth in the November 30th Order and should be approved. To begin with, the Plan analyzed the impact that the retirement of the Indian Point Energy Center (“IPEC”)³ would have on the Bulk Power System (“BPS”) taking into account the effect of the retirement

¹ Case 12-E-0503, *Proceeding on Motion of the Commission to Review Generation Retirement Contingency Plans*.

² Order, p. 5.

³ Con Edison and NYPA make no assumption or determination about the potential closure of IPEC. This Plan is intended to provide a reliability solution for New York State if IPEC closes.

of Dynegy Danskammer, L.L.C. Units 1 – 6 (“Danskammer”) and the implementation of incremental energy efficiency (“EE”) and demand response (“DR”) programs. Accordingly, the Plan provides for a fast track approach to having EE and DR program resources and transmission and generation projects in service by June 2016 (the “In-Service Deadline”) to meet the electricity needs that could arise from the closure of IPEC.⁴

Specifically, the Plan provides for a two pronged approach. The first prong has Con Edison and NYPA⁵ moving forward this spring upon Commission approval to implement three Transmission Owner Transmission Solutions (“TOTS”) so that they can be in place by the In-Service Deadline. The second prong has NYPA issuing a request for proposals (“RFP”) in the spring to solicit new incremental generation and transmission proposals that could also be in place by In-Service Deadline. Department of Public Service (“DPS”) staff will evaluate all of the proposed projects and will then recommend to the Commission which projects should move forward to completion. DPS staff may call upon the New York Independent System Operator (“NYISO”), Con Edison and NYPA for technical assistance in analyzing any data needed for DPS staff’s evaluation. The recommended projects could include the TOTS and/or solutions resulting from the RFP. Upon Commission approval, the projects ultimately selected will move forward towards completion unless halted by a Commission order, subject to cost recovery and other criteria as described herein.

⁴ As described further, *infra*, the Plan provides for maintaining reliability criteria should IPEC close, resulting in enough resources to satisfy applicable reliability requirements in the summer of 2016, as such, the Plan is not intended to address levels of capacity with or without the retirement of IPEC. The Commission has also instituted a separate proceeding to solicit alternating current transmission upgrades. *See*, Case 12-T-0502, *Proceeding on Motion to Examine Alternating Current Transmission Upgrades*, Order Instituting Proceeding (November 30, 2013).

⁵ This prong would also include New York State Electric and Gas Company (“NYSEG”), which is a co-sponsor of the MSSC Project, as defined *infra*.

The Plan consists of several integrated components, all of which need to be timely approved so that they can move forward according to the schedule specified herein. To make this Plan work, however, there are actions that the Commission needs to take to ensure that solutions are in place by the In-Service Deadline. If the Commission does not issue an order in April 2013, as requested below, authorizing Con Edison and NYPA to move forward with the TOTS subject to cost recovery and the halting mechanism, the likelihood of having sufficient resources available by the In-Service Deadline is greatly diminished. Moreover, completing all of these steps in the order proposed is a fundamental requirement without which each of the subsequent steps would be in jeopardy of being unable to proceed as proposed. Specifically, the Plan calls for the Commission to:

1. Issue an order⁶ in March 2013 (“Interim Order”) that:
 - a. Requests that NYPA issue an RFP for new generation and transmission solutions and identifies any changes the Commission desires to the general description of the RFP terms, conditions, process and timeline described in this Plan;
2. Issue an order in April 2013 (“April Order”) that:
 - a. Directs Con Edison to implement its Indian Point EE/DR program as set forth in the Plan with cost recovery and subject to halting;
 - b. Directs Con Edison to begin the development of the Second Ramapo to Rock Tavern 345 kV Line (“RRT Line”) and the Staten Island Un-bottling (“SIU”) Project, both of which will ultimately be transferred to and owned by the New

⁶ Throughout this filing, the terms “order” and “directs” in this context means an order or direction of the Commission with respect to Con Edison and any other investor owned utility (“IOU”) and a request with respect to NYPA.

York Transmission Company (“NY Transco”),⁷ subject to the halting mechanism and cost recovery proposal set forth in this Plan;

- c. Requests that NYPA, and directs that New York State Electric and Gas Corporation (“NYSEG”), begin the development of the Marcy South Series Compensation and Fraser to Coopers Corners Reconductoring (“MSSC”) Project, which also will ultimately be transferred to and owned by the NY Transco,⁸ subject to the halting mechanism and cost recovery proposal set forth in this Plan;
- d. Approves this Plan, including full recovery of all prudently incurred costs using the cost recovery and cost allocation approach set forth in Section VI of the Plan and the halting mechanism proposal described more fully in the Plan; and
- e. Finds, on a preliminary basis, that the RRT Line; the MSSC Project; and the SIU Project are public policy projects that meet the public policy requirements of New York State, as identified in the November 30th Order and the New York Energy Highway Blueprint (“Blueprint”)⁹;

⁷ As discussed more fully later in this filing, Con Edison and NYPA are active participants in the process of creating the NY Transco, a state-wide transmission company which will seek to develop transmission in New York State, including the RRT Line, the MSSC Project and the SIU Project that are being submitted as solutions in this docket. Two of these projects, the RRT Line and the MSSC Project, along with three other transmission projects, were also submitted as NY Transco projects in Commission Case 12-T-0502. As explained herein, Con Edison and NYPA intend that after these projects are started, they will be transferred to and owned by the NY Transco.

⁸ See footnote 6, supra.

⁹ A copy of the Blueprint can be found at:

<http://www.nyenergyhighway.com/PDFs/Blueprint/EHBPPT/>.

3. Establish a public comment period in this docket pursuant to the State Administrative Procedure Act (“SAPA”) to solicit comments on the proposed public policy requirement of developing an Indian Point Contingency Plan;
4. Issue an order in September 2013 (“September Order”) that:
 - a. Selects a final set of transmission and/or generation projects to move forward subject to the halting, cost allocation, and cost recovery mechanisms set forth in this Plan;
 - b. Finds, pursuant to the SAPA public comment process, that developing and implementing an Indian Point Contingency Plan is a state public policy requirement that drives the need for transmission;
 - c. Finds, to the extent that any of the TOTS are selected as final projects, that the RRT Line, the MSSC Project, and the SIU Project are public policy projects that meet the specified public policy requirements of New York State, as identified in the November 30th Order and the Blueprint;
 - d. If any of the TOTS are chosen by the Commission as a Selected Project, as defined, *infra*, (i) authorizes Con Edison and NYSEG to fully recover, and (ii) establishes a mechanism to enable NYPA to fully recover, all reasonable and prudent costs incurred in pursuing each TOTS, to the extent such costs cannot otherwise be recovered through the NYISO tariff pursuant to the cost allocation method described in this Plan;

- e. Directs that each New York Transmission Owner (“NYTO”)¹⁰ impacted by the Plan modify its retail cost recovery mechanisms for transmission and transmission-related costs, to the extent necessary, to provide that all NYISO transmission charges allocated to that individual NYTO as a result of the September Order will be recovered from that NYTO’s retail customers;
- f. Authorizes the recovery by Con Edison of all costs incurred in developing and implementing this Plan; and
- g. Establishes a mechanism to enable NYPA to recover all costs incurred in developing and implementing this Plan, as more fully explained in Section VI of the Plan.

Accordingly, for the reasons set forth in this compliance filing, Con Edison and NYPA respectfully request that the Commission approve the Plan and issue orders, as specified above, such that the Plan can be implemented.

II. BACKGROUND

IPEC, which is owned by Entergy and located in Buchanan New York, consists of two nuclear generating facilities (Units 2 and 3), each capable of producing approximately 1020 MW for a total output of 2040 MW. Each of Unit 2 and 3 operate under a license from the Nuclear Regulatory Commission (“NRC”). Unit 2’s NRC license expires in September 2013 and Unit 3’s NRC license expires in December 2015. Entergy has submitted a timely request to the NRC to extend its license, which is currently pending before the NRC.

¹⁰ The NYTOs consist of Central Hudson Gas and Electric Corporation, Con Edison / Orange & Rockland Utilities, Inc., Niagara Mohawk Power Corporation / National Grid, and New York State Electric & Gas Corporation / Rochester Gas and Electric Corporation, NYPA and the Long Island Power Authority.

The November 30th Order noted that the loss of IPEC “could result in significantly reduced reliability at the time of retirement and for several years thereafter until replaced.”¹¹ According to the Commission, the “value of a Reliability Contingency Plan to address reliability concerns associated with the closure of the nuclear power plants at the Indian Point Energy Center is increasingly apparent.”¹²

The November 30th Order required that the Plan address reliability needs that could result for the summer of 2016 so that the state would be ready for the closure of such a large generation facility, whether or not the facility is actually closed at that time. In other words, the directive in the November 30th Order indicates that the Commission has deemed it necessary and appropriate to pursue a public policy contingency plan for the possible closure of IPEC. Moreover, the November 30th Order stated that the Plan should account for the status of existing or proposed transmission facilities, EE, DR and other energy resources and include a competitive process to procure new resources.¹³ In addition, the November 30th Order required that the Plan include a halting mechanism to control ratepayer costs in the event that a project that is being developed to address the potential closure of IPEC needs to be stopped.¹⁴ The halting mechanism recognizes that to meet the In-Service Deadline, some projects will need to start design and engineering in early 2013.

The Commission established February 1, 2013 as the due date for the Plan.

III. APPLICABLE CRITERIA AND ANALYSIS

The NYISO undertakes an assessment of the reliability needs of the state’s BPS every two years. The latest approved NYISO comprehensive planning study that encompasses the year

¹¹ Order, p. 4.

¹² Order, pp. 1-2.

¹³ Order, pp. 5-7.

¹⁴ Order, p. 7.

2016 is the 2012 Reliability Needs Assessment (“RNA”).¹⁵ The model and the assumptions used to develop the 2012 RNA were the result of extensive stakeholder review and represent the NYISO’s most recent evaluation of supply and demand resources over the next ten years. Con Edison used the 2012 RNA analysis as the starting point in its analysis, noting that the NYISO base case analysis keeps IPEC in service (based on the NYISO rules and process employed for assessment of generator retirements), although the 2012 RNA did include a sensitivity analysis that considered the potential retirement of IPEC. The New York State Reliability Council (“NYSRC”) Reliability Rules¹⁶ state the reliability criteria that must be followed in planning the statewide BPS as well as the New York City (“NYC”) system. The applicable NYSRC rule for planning the system in New York is Rule B-R1 and it applies after any first contingency (“Statewide Analysis”). This rule requires that the BPS must have sufficient resources to:

1. Return all facilities back within normal ratings after any first contingency, and,
2. Ensure the system will not exceed Long Term Emergency (“LTE”) ratings if any second contingency were to occur.

The NYISO further expands the coverage of the statewide applicability of B-R1 to non-BPS facilities it considers important for the reliability of the New York Control Area (“NYCA”) system. The augmented list defines the Bulk Power Transmission Facilities (“BPTF”) system, which are examined in step 2 for statewide analysis. Rule I-R1 further states that certain portions of the Con Edison system in New York City (“NYC”) must be designed to a “second

¹⁵ A copy of the 2012 RNA can be found at: http://www.nyiso.com/public/webdocs/markets_operations/services/planning/Planning_Studies/Reliability_Planning_Studies/Reliability_Assessment_Documents/2012_RNA_Final_Report_9-18-12_PDF.pdf.

¹⁶ A copy of the NYSRC reliability rules can be found at: <http://www.nysrc.org/pdf/Reliability%20Rules%20Manuals/RR%20Manual%20Version%2031%205-11-2012%20Final.pdf>.

contingency” (“NYC Analysis”). The Con Edison Planning Criteria¹⁷ comply with I-R1 by modifying item 2 as follows:

2. Return all facilities back to normal ratings after any second contingency in the Con Edison system.

These different NYC and statewide deficiency standards may yield different results. The larger of the two deficiencies, if any, becomes the stated deficiency, with the understanding that the solution set must address both deficiencies, because they may occur in different parts of the system and the entire state needs to meet the NYSRC rules. The interaction between the solutions and the studied contingencies are different in the Statewide Analysis than in the NYC Analysis, because the contingencies studied are different, as explained above. For example, in step 1, the most severe statewide contingency may not be the same as the most severe NYC contingency.

As mentioned above, the deficiency analysis started with the NYISO’s 2012 RNA model and then updated it to reflect the rescission of the mothball notice for Astoria Generating Company, L.P.’s Gowanus barges 1 and 4 and the effect of the EE/DR projects that the Order required Con Edison and NYPA to consider. The model reflects 100 MW of incremental EE/DR, as further detailed below. Based on this updated analysis (“Updated 2012 RNA”), the retirement of IPEC would yield a deficiency of 950 MW.¹⁸ This was determined from the NYC Analysis. The Statewide Analysis resulted in a lower deficiency level. It must be noted that solutions may have a different impact on the magnitude of the reduction in deficiency for the NYC Analysis than they do for the Statewide Analysis.

¹⁷ Con Edison’s planning criteria is posted on its website at: http://www.coned.com/documents/Transmission_Planning%20Criteria.pdf.

¹⁸ The 950 MW deficiency is net of Con Edison’s 100 MW EE/DR program.

The retirement of Danskammer was announced in January 2013 when the analysis presented above was nearing completion. Preliminary calculations made close to the filing date show an impact in the order of 400-425 MW for both the NYC Analysis and the Statewide Analysis from the closure of Danskammer. Accordingly, the overall deficiency, would be approximately 1350 to 1375 MWs.¹⁹

IV. ENERGY EFFICIENCY AND DEMAND RESPONSE

The November 30th Order directed that energy efficiency (“EE”), demand response (“DR”), and combined heat and power (“CHP”) be taken into consideration in developing the amount of the deficiency that could result from the retirement of IPEC. Achieving demand reduction through new incremental programs will help reduce the need for additional generating or transmission capacity, which ultimately creates a long term avoided cost benefit for customers. Con Edison proposes to achieve an additional peak demand reduction of 100 MW by the In-Service Deadline through incremental programs (“IPEC EE/DR Program”). As such, the calculated deficiency due to the potential retirement of IPEC reflects this incremental 100 MW reduction. The details of the IPEC EE/DR Program are specified in Exhibit A.

As more fully described in Exhibit A, this 100 MW of incremental peak demand reduction can be implemented prior to the In-Service Deadline provided that: (1) approval to proceed and begin the incremental EE/DR surcharge collections is granted in the April Order; and (2) Con Edison is granted more flexibility to implement incremental programs than what is currently offered through the existing Energy Efficiency Portfolio Standard (“EEPS”) programs.

The IPEC EE/DR Program will be additional to the suite of existing EEPS programs, with a focus on creating a holistic portfolio of solutions for reducing and managing loads

¹⁹ The 1,350 to 1,375 MW deficiency is also net of Con Edison’s 100 MW IPEC EE/DR Program.

primarily in large buildings. The IPEC EE/DR Program portfolio will include EE measures such as: LED lighting, installed advanced high efficiency HVAC and energy storage systems, and an extension of the steam air conditioning (“AC”) incentives to all existing steam AC customers in addition to the Con Edison targeted Steam AC program initiated in October 2012. The range of programs envisioned under this portfolio approach would require the Commission to authorize in its April Order funding of at least \$300 million to facilitate IPEC EE/DR Program success.²⁰

In the event that the Commission terminates this Program prior to its approved conclusion through a halting order, Con Edison would continue collection of funds necessary for fulfillment of all customer commitments in place at the time of program halting and terminate the program from that point forward. Con Edison does not believe that reinstating programs after termination would be a viable option because of the time needed to ramp programs up and the attendant uncertainty that termination and subsequent reinstatement introduces into the market. With respect to the IPEC EE/DR Program, the estimated costs of halting at the key points in time are shown in Table 4.1 below:

TABLE 4.1

IPEC EE/DR Program	Date Halted	Estimated Partial At Risk Cost*
(Project Total: \$300,000,000)	9/30/2013	\$500,000
	3/31/2014	\$13,000,000
	12/31/2014	\$70,000,000
* The “Estimated Partial At Risk Cost” is an estimate of the funds necessary for fulfillment of customer commitments in place at the time based on an estimate of a 2016 in-service date.		

²⁰ There may be joint opportunities with NYSERDA to achieve these incremental energy efficiency increases that contribute to peak load reductions. The Commission may choose to evaluate NYSERDA funding levels in order to achieve the incremental goal.

Con Edison has also initiated discussions with its partners at NYPA and NYSERDA to identify incremental EE, DR, and CHP initiatives over and above what is already included in the 2012 RNA that can be achieved prior to the In-Service Deadline. There exists a combination of programs with funding that is not currently included in the Updated 2012 RNA which is still being reconciled²¹. The Plan will ultimately incorporate these during the evaluation process that determines the final set of transmission and generation solutions. See Exhibit G for additional details.

V. PROPOSED SOLUTION

A. Overview

As stated in the Order:

The potential retirement of a significant electric generating facility, such as the Indian Point Energy Center, requires significant advanced planning. Specifically, the size, location, and uncertainties regarding the potential retirement of the Indian Point Energy Center warrant such planning activities at this time. [The Commission] agree[s] there is a need to develop a contingency plan now to ensure reliability in the event the Indian Point Energy Center is ultimately retired.²² (footnote omitted).

To have transmission and/or generation solutions in place by the In-Service Deadline, it is essential that action be taken without delay so that projects can get underway quickly. To that end, the Plan contemplates pursuing a two-pronged approach in parallel. On the first prong of the solution, Con Edison and NYPA, working with and as part of the NY Transco,²³ would begin developing the three TOTS. On the second prong, NYPA would begin a competitive

²¹ The impact could be as much as 88 MW once the programs in-progress are fully identified and accounted for. These programs are in addition to the 100 MW incremental demand reduction to be achieved through the IPEC EE/DR Program.

²² Order, pp. 1-2.

²³ See footnote 6, supra.

procurement process by issuing an RFP to solicit third party generation and third party transmission solutions to the potential closure of IPEC.

The Plan provides that the Commission will issue the Interim Order in March 2013 that requests NYPA to move forward with the RFP and provides input on any changes to the RFP terms, conditions and procedures desired by the Commission. The Plan also provides that the Commission will issue an order in April 2013 approving the Plan and authorizing Con Edison and NYPA to move forward with the EE/DR plan and with preliminary implementation of the TOTS, all subject to cost recovery and the halting mechanism. If the Commission does not issue an order in April 2013 authorizing Con Edison and NYPA to move forward with the TOTS subject to cost recovery and the halting mechanism, the likelihood of having sufficient resources available by the In-Service Deadline to address the potential closure of IPEC is greatly diminished.

Promptly upon receipt of the Interim Order, NYPA will issue an RFP soliciting generation and transmission solutions from private developers. The timeline and procedures by which the RFP process will be conducted are described below. Due to the number of steps involved and the statutory and regulatory requirements that must be satisfied, it is likely that a final selection of solutions will not occur, and third party project implementation will not be able to commence, before September or October 2013.

The Plan contemplates that DPS staff will evaluate the projects that respond to the RFP and the TOTS on a comparable basis and that the Commission will issue an order in September 2013 indicating the projects that will ultimately move forward to meet this public policy objective of preparing the state for the closure of IPEC. DPS staff may call upon the NYISO,

Con Edison and NYPA for technical assistance in analyzing any data needed for DPS staff's evaluation.

Each of the TOTS will be subject to the halting mechanism described below that will enable the Commission to terminate or suspend development efforts. Once the TOTS begin, the projects will continue unless the Commission issues an order directing that a specific TOTS project be halted.

B. Transmission Owner Transmission Solutions (TOTS)

1. Description of the TOTS

To ensure that the TOTS are in place by the In-Service Deadline, the Plan calls for the Commission to issue an Order in April 2013 directing that the following three transmission projects²⁴ move forward, subject to the halting and cost recovery mechanisms discussed later in this filing:

- RRT Line;
- MSSC Project; and
- SIU Project.

For a detailed description of each of these projects, please see Exhibit B for the RRT Line, Exhibit C for the MSSC Project, and Exhibit D for the SIU Project. As indicated in these exhibits, the estimated cost at the time of completion for each of these projects is: \$123.1 million for the RRT Line; \$76 million for the MSSC Project; and \$311.64 million for the SIU Project.

²⁴ The NY Transco's East Garden City to New Bridge Road Project is still being evaluated to determine if it is able to expedite its schedule to meet the In-Service Deadline. If it can, it could be considered an additional TOTS project in this process, and an update will be provided to the Commission.

As more fully described in these exhibits, each of these TOTS can be completed by the In-Service Deadline, provided that they timely receive the various governmental and regulatory approvals set forth in Exhibits B, C, and D. Specifically, the RRT Line, which already has its Article VII Certificate, can be in service by the In-Service Deadline, provided that it receives approval of its amended Environmental Management and Construction Plan (“EM&CP”) by the first quarter of 2014. The MSSC Project can be in service by the In-Service Deadline, provided that all major licensing and permitting is completed by the end of 2013. Finally, the SIU Project can be completed by the In-Service Deadline, provided work on the project commences during the spring of 2013. The chart below shows the licenses, regulatory and study approvals already received by the proposed projects.

<p>Second Rock Tavern to Ramapo 345kV Line</p>	<ul style="list-style-type: none"> • NYISO approved System Impact Study (“SIS”) August 16, 2012, Queue position 368 • Article VII Certificate Received January 25, 1972, Case 25845, Con Edison and Case 25741, Con Edison and O&R • Article VII Certificate Received January 24, 2011, Case 10-T-0283, O&R, Inc. (Feeder 28)
<p>Marcy Series Compensation and Fraser to Coopers Corners Reconductoring Project</p>	<ul style="list-style-type: none"> • NYISO Interconnection Application filed May 12, 2012; Queue position 380
<p>Staten Island Un-bottling</p>	<ul style="list-style-type: none"> • NYISO granted Con Edison a waiver of its SIS and Queue requirements on January 18, 2013

2. Ownership of the TOTS

As indicated in the NYTOs’ January 25, 2013 submission (the “January 25th Filing”) in Case 12-T-0502, *Proceeding on Motion to Examine Alternating Current Transmission Upgrades*, Con Edison and NYPA are active participants in the process of creating the NY

Transco,²⁵ which will seek to develop transmission facilities in New York State including the RRT Line, the MSSC Project, and the SIU Project that are being submitted as solutions in this proceeding.²⁶ It is anticipated that the NY Transco will be formed in October 2013. Also as indicated in the January 25th Filing, the NYTOs are in the process of developing the regulatory filings necessary to establish a transmission rate schedule at the Federal Energy Regulatory Commission (“FERC”) as well as to implement the cost allocation and cost recovery mechanisms through the NYISO’s tariff as described herein. Final regulatory approvals from FERC are anticipated in April 2014. Once FERC approval is obtained, the NY Transco will lead the development of the TOTS. To that end, Con Edison and NYPA will begin the work on these TOTS until the NY Transco is operational.²⁷ At that time the TOTS will be transferred to and completed by the NY Transco.

Moreover, as further indicated in the January 25th Filing, the NY Transco Projects are being proposed to accomplish the goals and objectives of the Commission’s November 30, 2013 order in Case 12-T-0502,²⁸ which are to increase transfer capability through the central east interface²⁹ and to “meet the objectives of the Energy Highway Blueprint.”³⁰ As is the case with the full panoply of NY Transco projects, the RRT Line and MSSC Project will provide

²⁵ The NY Transco will be a New York limited liability company (“LLC”) that will be owned by affiliates of the NYTOs.

²⁶ In total, the NYTOs on behalf of the NY Transco proposed five projects in Case 12-T-0502. These projects are: MSSC Project; RRT Line; UPNY/SENY Interface Upgrade; Second Oakdale to Fraser 345 kV Line; and Marcy to New Scotland 345 kV Line. Con Edison and NYPA respectfully request that the Commission approve the NYTOs’ January 25th Filing.

²⁷ It should be noted that the MSSC Project is being co-developed with NYSEG until the NY Transco takes over the development of that project. It is anticipated that following the issuance of the April Order, NYSEG would participate in the development of the MSSC Project.

²⁸ Case 12-T-0502, *Proceeding on Motion to Examine Alternating Current Transmission Upgrades*, Order Instituting Proceeding (November 30, 2013), p. 2.

²⁹ Id.

³⁰ Id.

congestion reduction benefits across key transmission interfaces and provide the public policy benefits specified in the Blueprint. As set forth in the January 25th Filing, the RRT Line and the MSSC Project, together with the other NY Transco projects, will provide significant public policy benefits to New York State, including production cost savings, job growth, increased local tax revenues, and emissions reductions. Due to their nature and location, these two projects are also highly effective solutions to the deficiency that would result from the closure of IPEC, and they can meet the In-Service Deadline requirement.

The SIU Project is also a NY Transco project, although it was not submitted as part of the January 25th Filing, since it does not directly affect congestion over the Central East Interface. The Plan calls for Con Edison to begin the work on the SIU Project, because it helps to address the reliability need associated with closure of IPEC. When the NY Transco is operational, this project will also be transferred to and finished by the NY Transco. As is the case with RRT Line and MSSC Project, this project provides the public policy benefits specified in the Blueprint.

C. Details of the Competitive Solicitation Process

The second prong in the Plan is the competitive solicitation process. This section includes procedures that will be followed to solicit proposals for generation and transmission resources that can be put in place on or before the In-Service Deadline to address the reliability needs that will result if IPEC ceases operations at the termination of its NRC licenses. It also sets forth criteria that will be employed to evaluate on a comparable basis all of the available solutions to the reliability need.

1. Steps and Timeline

Following issuance of the Interim Order, NYPA will issue the generation and transmission RFP, which is expected to occur around mid-March, 2013. Proposals in response to

the RFP (“Proposals”) will be due from respondents (“Respondents”) approximately 45 to 60 days after its issuance (May or early June, 2013). Shortly after issuance of the RFP, NYPA will schedule a bidders’ conference to address any questions Respondents may have so that they may be guided in the development of their Proposals. Upon receipt of the Proposals, DPS staff will evaluate and analyze the complete set of Proposals, together with the TOTS, to determine which group of solutions can be expected to best satisfy the reliability needs, consistent with the evaluation criteria described below. DPS staff may call upon NYISO, Con Edison and NYPA for technical assistance in analyzing any data needed for DPS staff’s evaluation

Upon conclusion of the evaluation process, DPS staff will prepare a recommendation for Commission review and action in the September Order. The recommendation will state which solutions should be pursued and may include a combination of one or more Proposals and TOTS. It is expected that the DPS staff recommendation will be presented to the Commission for action as soon as August 2013. Thereafter, on or about September 14, 2013, the Commission is expected to issue its September Order to designate the combination of Proposals and/or TOTS that it authorizes to move forward (“Selected Projects”).

If the Selected Projects include one or more generation projects (each a “Selected Generation Project”), NYPA and the developer of each Selected Generation Project will negotiate and enter into a power purchase agreement (“PPA”) as expeditiously as possible to support development, construction and operation of such Selected Generation Project.³¹ If the Selected Projects include a transmission resource (whether a TOTS or an alternative transmission facility, each a “Selected Transmission Project”), the developer of the Selected Transmission Project will seek approval to construct, operate and receive compensation for its Project pursuant

³¹ Con Edison will not be a counter party to any generation contract.

to a NYISO and/or Commission tariff. It is anticipated that the September Order will authorize the creation of a Commission tariff for the recovery of Selected Project costs that will be available to the extent an appropriate NYISO tariff is not available at the time the September Order is issued. As is the case for TOTS, the other Selected Projects chosen as part of the competitive solicitation process may also be halted under certain conditions.

2. RFP Terms and Conditions

Respondents will be required to provide written submissions setting forth in as much detail as possible the information identified in the RFP. A sample of the type of information that will be solicited in the RFP is set forth on Exhibit E. This sample, representative information list is provided for indicative purposes, but the list of required information included in the RFP may differ. Likewise, Con Ed and NYPA will be required to provide, at the same time as the Respondents, the same information as is required of the Respondents, so that the TOTS and Proposals can be evaluated by DPS staff on a comparative basis.

The RFP will include a form of PPA for generators that will set forth in detail provisions related to, among other things, the posting by the project proponent of security deposits to secure completion of the work, completion of milestones, and the halting mechanism, consistent with the description below. Likewise, the RFP will set forth similar requirements for transmission Proposals.³² Respondents must identify at the time of Proposal submission any requested changes or additions to the process, the project agreements and/or requirements. An indicative list of the type of contractual terms and conditions, including milestones, is included as Exhibit

³² We note, as well, that as part of the NYISO interconnection process, the developer of a Proposed Transmission Project may be obligated to enter into the NYISO's FERC-approved pro forma Large Facility Interconnection Agreement pursuant to the Large Facility Interconnection Procedures set forth in Attachment X of the NYISO Services Tariff.

F. Respondents should also indicate whether any of the information contained in their response should be considered as confidential.

The RFP will also require Respondents proposing generation solutions to submit pricing in two forms. The first will be in the form of a contract for differences (“CFD”) in which the total cost of the project is fixed, but the monthly payment due will be reduced by the amount of the market revenues available to the project for that month. The second required bid form will state the fixed amount that the project developer requires on a dollar per month basis for support in addition to the market revenues it expects to realize. This second bid form is similar to the approach employed in the Renewable Portfolio Standards venue. Although there are benefits to either structure, requiring the submittal of this information will allow the evaluation process to consider the relative benefits of a known fixed monthly payment stream versus the variable customer costs associated with the CFD.

3. Comparative Evaluation Process

Both the TOTS and Proposals will be evaluated on a number of levels throughout the evaluation process. Initially, the Proposals will be subject to threshold criteria before being considered in the evaluation of their ability to meet the need and other criteria. This screening will consider whether the Proposal meets the following threshold criteria:

- Proposal received on time and in the proper format;
- Proposal is able to meet the In-Service Deadline;
- Generation proposals must provide at least 75 MW (UCAP) of incremental capacity;
- Both generation and transmission proposals must be interconnected to NYISO Load Zones G-K; and,

- Proposal provides pricing that is firm through December 31, 2013.

Proposals that meet the threshold criteria will then be subject to the evaluation process. This evaluation process will first review the Proposals for completeness and adherence to the RFP information request.³³ A detailed review of both the TOTS and Proposals' development plans will then be undertaken. Proposed solutions that have a high likelihood of technical and financial feasibility, as well as the ability to meet the In-Service Deadline, will then be subject to the next stage of the evaluation process.

Given that a single project is unlikely to meet the entire deficiency need, proposed solutions may be grouped into portfolios of projects and evaluated based on the categories listed below:

- Ability to help ensure that the reliability of the electric system is maintained or enhanced in the event of IPEC's closure, considering individual and collective impacts on the portfolio of Proposals;
- Deliverability;
- Cost-effectiveness and long-term public policy benefits to the State; including metrics such as production cost analysis
- Environmental considerations including emissions impact and use of existing rights-of-way; and
- Ability to provide opportunities for economic development and job creation.

The portfolio of projects that offers the best overall value to New York ratepayers based on the comprehensive evaluation process will be recommended by DPS staff for implementation.

³³ DPS staff will have the right to: (1) reject a response if it not complete; (2) contact bidders to clarify incomplete and/or unclear information in proposals; and (3) interview each bidder to obtain information regarding its project.

To perform this evaluation, Respondents will be asked to provide all pertinent information, a sample of which is described in Exhibit E.

VI. COST RECOVERY AND COST ALLOCATION MECHANISM

A. NYPA Cost Allocation and Cost Recovery Mechanism

To the extent any costs related to developing and implementing this Plan³⁴ are to be allocated to NYPA on behalf of its customers, the Commission should recognize that NYPA can accept costs only to the extent that NYPA's contracts with its customers allow recovery of such costs. The recovery of any costs that NYPA is contractually unable to recover from its customers ("Shortfall Amount") should first be recovered from the same end users to the extent that those same customers receive delivery service from the other NYTOs, excluding NYPA. To the extent that a Shortfall Amount still exists, that Shortfall Amount would have to be reallocated to the other end-users, including from NYPA customers whose contracts allow it.

In addition to recovering the Shortfall Amount, the Commission should require that once Commission-jurisdictional utilities and load serving entities ("LSEs") recover costs related to the development and implementation of this Plan that are incurred by NYPA and that are not recoverable through the NYISO tariff, those LSEs and utilities must remit any such costs recovered from their retail rate customers to NYPA. The mechanism developed by the Commission to address the particular cost recovery issues that pertain to NYPA described above is hereinafter referred to as the NYPA Recovery Mechanism.

³⁴ These costs included, but are not limited to, those incurred in preparing this Plan, developing the form of RFP, issuing the RFP, assisting (if requested) DPS staff, pursuing the TOTS, and all costs incurred in connection with the Selected Projects.

B. Cost Recovery and Cost Allocation Associated With Plan and RFP Related Expenses Incurred Before the September Order

Following the issuance of the Order, Con Edison and NYPA have incurred, and will continue to incur, costs in preparing the Plan, developing the form of RFP and associated agreements, issuing the RFP, contracting for consultants and outside legal representation, and assisting in the technical evaluation of Proposals (if requested), among other costs (“Plan & RFP Costs”). The April Order must ensure that: (1) Con Edison is able to recover all of its Plan & RFP Costs; and (2) NYPA is able to recover all such Plan & RFP Costs consistent with the NYPA Recovery Mechanism discussed in point VI.A. The Commission will determine the cost allocation approach for the Plan & RFP Costs. It is expected that in the April Order the Commission will allocate such costs on an appropriate public policy basis.

C. Cost Recovery and Cost Allocation Associated With TOTS Prior to the September Order

Following issuance of the April Order, Con Ed, NYPA and NYSEG will incur significant expenses associated with pursuing each TOTS until such time as it either is halted by a Commission order or is chosen as a Selected Project (“TOTS Costs”). The April Order must ensure that Con Edison, NYPA and NYSEG are able to recover all such TOTS Costs.

As stated in their January 25th Filing, the NYTOs, on behalf of the NY Transco, will pursue the establishment of a wholesale transmission revenue requirement and FERC-approved rate for the NY Transco projects, including the three TOTS projects proposed herein, that would be stated in the NYISO’s Open Access Transmission Tariff (“OATT”).³⁵ Once approved by FERC, the NY Transco’s revenue requirement will be recovered from all LSEs in the NYISO’s control area as specified in the January 25th Filing. The NYISO will be responsible for billing

³⁵ See January 25th Filing, pp. 21-24.

and collecting from all LSEs based on their energy consumption and location. The NY Transco will receive payments from the NYISO after the NYISO receives payments from the LSEs. The NYTOs, in their role as an LSE, will pass the NY Transco charge onto their full service retail customers as a NYISO charge consistent with their PSC-approved retail tariffs or, where necessary, under newly approved PSC tariffs. Accordingly, Con Edison and NYPA propose that the cost allocation method proposed in the January 25th Filing in Commission Case 12-T-0502 also apply to the TOTS for the same reasons set forth in that filing.

Until the NY Transco is operational, Con Edison and NYPA need certainty of cost recovery to proceed with their TOTS. In addition, since NYSEG is one of the NYTO developers of the MSSC Project, NYSEG also needs certainty of cost recovery to proceed with its part of the TOTS. Accordingly, Con Edison and NYPA request that the April Order state that the Commission is authorizing the recovery through a Commission jurisdictional method by Con Edison and NYSEG of all reasonable and prudent costs incurred in pursuing each TOTS, to the extent such TOTS Costs are not otherwise recovered through the NYISO tariff. In the case of NYPA, to the extent that such costs are not recovered through the NYISO tariff, such costs will be recovered through the NYPA Recovery Mechanism.³⁶ Further, to effectuate the cost allocation and cost recovery of the TOTS, the Commission should order each NYTO impacted by one of these projects to modify its retail cost recovery mechanisms for transmission and transmission related costs, to the extent needed, to provide that all NYISO transmission charges allocated to an individual NYTO in response to this Order will be recovered from that NYTO's retail customers. Finally, to the extent that the TOTS Costs cannot be recovered through the

³⁶ To the extent that Con Edison or NYPA are able to recover the costs of the TOTS through a FERC-approved rate, Con Edison and NYPA will refund to customers any costs already collected through Commission approved rates.

NYISO tariff, the Commission should establish a mechanism to allocate such costs consistent with public policy objectives, to all appropriate entities, including non Commission-jurisdictional entities, such as LIPA.

D. Cost Recovery and Cost Allocation Associated With Selected Projects

The final group of Selected Projects chosen by the Commission in the September Order may include a mix of TOTS, Selected Transmission Projects and Selected Generation Projects. The recovery of TOTS was discussed above.

If the competitive solicitation process results in a Selected Generation Project, the developer will be paid by NYPA pursuant to its PPA. These costs cannot be recovered through the NYISO tariff. Thus, the Commission also must ensure that the NYPA Recovery Mechanism enables NYPA to recover all costs in connection each Selected Generation Project consistent with the discussion in point A, above. The Commission could accommodate this by requiring LSEs and utilities that are allocated costs pursuant to the implementation of this plan to modify their retail rate mechanisms, to the extent necessary, to recover such costs from their retail customers. In addition, the Commission should require that those LSEs and utilities to remit any such costs recovered from their retail rate customers to NYPA.

The Commission will determine the cost allocation approach for each Selected Generation Project, with consideration of the public policy value across the State, including Long Island.³⁷ It is expected that in the September Order the Commission will allocate such costs on an appropriate public policy basis. It is possible that different allocations will apply to different Selected Projects. To the extent that the competitive solicitation process results in a

³⁷ It is Con Edison's position that even though LIPA is not currently under PSC jurisdiction, Long Island customers should participate in the costs of the Plan to the extent that they also benefit from the implementation of the State's public policy determination.

third party transmission project being selected, the costs associated with each project will be recovered through a NYISO tariff schedule.

VII. HALTING MECHANISM

The November 30th Order requires that all Selected Projects move forward subject to a halting mechanism. The halting mechanism applies equally to the TOTS, the IPEC EE/DR Program, and to Selected Projects identified in the September Order. The halting mechanism included as part of the Plan enables the Commission to halt any TOTS and any Selected Project at any time up to and including December 31, 2014. It is Con Edison's and NYPA's view that to attract a satisfactory quantity of Proposals, it is necessary to impose a final date at which a project may be halted. Con Edison and NYPA believe project developers are unlikely to participate in this process if they face the risk that they may spend extraordinary time and resources to bring on-line quickly a large project only to be told that they are being halted at a very late stage of development and will receive only their out of pocket costs. Neither Con Edison nor NYPA can predict those market or other events that would cause the Commission to decide to halt a particular project.

Due to the unique nature of transmission projects, Con Edison and NYPA will need to purchase equipment that may not be usable for any other project. As such, the halting mechanisms reflect the fact that once equipment is ordered, Con Edison and NYPA must be able to recover 100% of the cost of such equipment, less any reductions available from cancellation provision in the procurement contract and realized salvage value. The halting mechanism also recognizes that in order to meet the In-Service Deadline, Con Edison and NYPA will need to start engineering the projects in April 2013 and start procurement activities as early as the fourth quarter of 2013. Thus, the halting mechanism must provide for the full recovery of costs

incurred, as well as any contractual cancellation costs associated with such activities. It should also be noted that equipment procurement, engineering, and some construction activities will start even though not all of the required regulatory permits (environmental or community) will have been obtained as of this point in the project development schedule.

Recognizing the potential cost impacts to customers for the TOTS, Con Edison and NYPA can state the estimated costs they will incur for the TOTS at particular key points in time. Importantly, these estimates are based on conceptual project scopes and represent an order of magnitude reference for future project costs. As preliminary engineering and project tasks proceed, additional detail and certainty will support updated cost estimates. With respect to the RRT Line, the estimated costs of halting the project at the key points in time are shown in Table 7.1 below:

TABLE 7.1

Ramapo – Rock Tavern Line	Date Halted	Estimated Partial At Risk Cost*
(Project Total: \$123,100,000)	9/30/2013	
	3/31/2014	
	12/31/2014	
<p>* The “Estimated Partial At Risk Cost” includes only an estimate of the committed dollars and do NOT include any cancellation charges that would be imposed by the contractors and equipment suppliers. The “Estimated Partial At Risk Costs” will be adjusted at the time of halting to include these costs. These costs are based on a 2016 in-service date estimate.</p>		

With respect to the SIU Project, the estimated costs of halting the project at the key point in time are shown in Table 7.2 below:

TABLE 7.2

Staten Island Un-bottling Project	Date Halted	Estimated Partial At Risk Cost*
(Project Total: \$311,640,000)	9/30/2013	
	3/31/2014	
	12/31/2014	
* The “Estimated Partial At Risk Cost” includes only an estimate of the committed dollars and do NOT include any cancellation charges that would be imposed by the contractors and equipment suppliers. The “Estimated Partial At Risk Costs” will be adjusted at the time of halting to include these costs. These costs are based on a 2016 in-service date estimate.		

With respect to the MSSC Project, the estimated costs of halting the project at the key point in time are shown in Table 7.3 below:

TABLE 7.3

Marcy South Series Compensation Fraser to Coopers Corner Reconductoring Project	Date Halted	Estimated Partial At Risk Cost*
(Project Total: \$76,000,000)	9/30/2013	
	3/31/2014	
	12/31/2014	
* The “Estimated Partial At Risk Cost” includes only an estimate of the committed dollars and do NOT include any cancellation charges that would be imposed by the contractors and equipment suppliers. The “Estimated Partial At Risk Cost” will be adjusted at the time of halting to include these costs. These costs are based on a 2016 in-service date estimate.		

NYPA will include a requirement in the RFP process that each Respondent provide the costs of halting its proposed project for the same dates shown above.

If the Commission halts a Selected Project, the project developer must mitigate its costs by prompt cancellation and liquidation of contracts, and by salvage sale of equipment already delivered or manufactured, and taking all other reasonable and necessary steps to mitigate net costs. The project developer will be compensated for its reasonable and prudent costs incurred in connection with the Selected Project but without any mark-up or premium.

VIII. THE COMMISSION SHOULD ESTABLISH A PUBLIC COMMENT PROCESS

The joint NYISO/NYTO Order 1000 compliance filing to implement the public policy requirements of Order 1000 defines a public policy requirement as:

A federal or New York State statute or regulation, including a NYPSC order adopting a rule or regulation subject to and in accordance with the State Administrative Procedure Act, or any successor statute, that drives the need for expansion or upgrades to the New York State Bulk Power Transmission Facilities.³⁸

By including the reference to the SAPA, the filing clearly intended that market participants and other stakeholders would have an opportunity to comment on the proposed public policy requirements and to participate in the debate with respect to projects that are submitted in response to the enunciated public policy. Unfortunately, the November 30th Order does not provide for an opportunity for market participants to comment on the specified public policy requirement of developing the Plan. Con Edison and NYPA agree that it is important for market participants to have the opportunity to weigh in on the important policy goals set forth in the November 30th Order, namely the need to develop and implement the Plan. Moreover, since the transmission projects put forth in this docket would be included in the NYISO's public policy

³⁸ October 11, 2012 joint NYISO/NYTO compliance filing.

planning process, orders issued by the Commission should facilitate that effort, including establishing a public comment period pursuant to SAPA. The need for this process was recognized by the Commission in its filing in FERC Docket ER13-102 (the FERC Order 1000 docket) when it stated that:

The NYPSC is committed to working with the NYISO, NYTOs, and other interested stakeholders to develop a process that fits the [FERC's] Order 1000 framework and facilitates the appropriate implementation of State public policy goals.³⁹

To enable the TOTS to move forward, the Commission must take certain steps, in addition to the issuance of its April Order, to establish that there is a public policy requirement that drives the need for upgrades to the New York State BPS. These steps include: (1) establishing a comment period in this docket consistent with the requirements of SAPA to review the public policy requirements associated with developing the Plan; (2) issuing a subsequent order establishing the public policy requirements that drive the need for transmission; and (3) determining that the TOTS and other Selected Projects meet the identified public policy requirements and should therefore proceed to request the necessary local, state, and federal authorization for construction and authorization of the Projects. This is the process that the Commission is required to undertake in order to satisfy its role in the NYISO's filed Order 1000 public policy planning process.

IX. STAKEHOLDER INPUT

During the course of developing this filing, Con Edison and NYPA held several meetings and conference calls with representatives of DPS staff and the NYISO in order to receive their

³⁹ December 11, 2012 *Answer of the New York State Public Service Commission* in response to protests of the joint NYISO/NYTO Order 1000 public policy planning process compliance filing, Docket ER13-102, p. 11. The joint NYISO/NYTO compliance filing is currently pending before FERC.

feedback on the calculations of the deficiency, reliability contribution of the TOTS and the overall Plan. On January 14, 2013, Con Edison and NYPA hosted an all parties meeting at Con Edison for the purpose of presenting the concepts and receiving stakeholder feedback with respect to the preliminary deficiency analysis and concepts to implement the requirements of the November 30th Order. At the January 14th meeting, several parties offered feedback on the proposed solutions, which Con Edison and NYPA took into consideration in the development of this compliance filing.

X. DESCRIPTION OF CON EDISON AND NYPA

Con Edison is a regulated public utility that is a subsidiary of Consolidated Edison, Inc., a holding company. In 2011, Consolidated Edison, Inc. had \$39.2 billion in assets and \$12.9 billion in revenues. Con Edison serves a 660 square mile area with a population of more than nine million people. In that area, Con Edison serves approximately 3.3 million electric customers, 1.1 million gas customers, and 1,700 steam customers. Con Edison provides electric service in New York City and most of Westchester County, gas service in parts of New York City and steam service within the borough of Manhattan. Con Edison has approximately 1,180 circuit miles of transmission, including 438 circuit miles of overhead and 742 circuit miles of underground transmission.

NYPA is a corporate municipal instrumentality and a political subdivision of the State of New York. NYPA owns and operates 16 generating facilities and about 1,400 circuit miles of high voltage transmission lines. The electricity it generates and purchases is sold to municipally owned utilities and electric cooperatives, as well as to a variety of business, industrial and public customers throughout the State. NYPA uses no tax money or state credit. It finances its

operations through the sale of bonds and revenues earned in large part through sales of electricity.

Con Edison and NYPA have a significant interest in this proceeding and therefore request party status in this proceeding.

XI. CONTACT INFORMATION

The following people should be added to the official service list in this proceeding:

For Consolidated Edison Company of New York, Inc.

Stuart Nachmias
Vice President, Energy Policy & Regulatory Affairs
4 Irving Place, 2315-S
New York, N.Y. 10003
(212) 460-2580
nachmiass@coned.com

Neil H. Butterklee
Consolidated Edison Company of New York, Inc.
Assistant General Counsel
4 Irving Place, 1875-S
New York, N.Y. 10003
(212) 460-1089
butterkleen@coned.com

For New York Power Authority

John J. Suloway
Vice President, Project Development, Licensing & Compliance
123 Main Street
White Plains, NY 10601
(914) 287-3971
john.suloway@nypa.gov

Gerard Vincitore
Director, Resource Planning and Project Analysis
New York Power Authority
123 Main Street
White Plains, NY 10601
(914) 390-8221
gerard.vincitore@nypa.gov

Glenn D. Haake
Principal Attorney
New York Power Authority
30 South Pearl Street – 10th Floor
Albany, New York 12207-3245
(518) 433-6720
glenn.haake@nypa.gov

XII. LIST OF EXHIBITS

This filing contains the following exhibits:

Exhibit A – Level of Energy Efficiency included in the model

Exhibit B – Detailed Description of the Marcy South Series Compensation and Fraser to Coopers Corners Reconductoring Project

Exhibit C – Detailed Description of the Second Ramapo to Rock Tavern 345 kV line

Exhibit D – Detailed Description of the Staten Island Un-bottling project

Exhibit E – RFP Respondent Information

Exhibit F - RFP Contract Terms

Exhibit G – Ongoing Demand Reduction Initiatives

XIII. CONCLUSION

As shown herein, the Plan is responsive to the requirements set forth in the Order and should be approved. There are, however, actions that the Commission needs to take to ensure that solutions are in place by the In-Service Deadline to address the potential closure of IPEC. Accordingly, for the reasons set forth herein, Con Edison and NYPA respectfully request that the Commission:

1. Issue an order in March 2013 (*i.e.*, the Interim Order) that:

- a. Requests that NYPA issue an RFP for new generation and transmission solutions and identifies any changes the Commission desires to the general description of the RFP terms, conditions, process and timeline described in this Plan;
2. Issue an order in April 2013 (*i.e.*, the April Order) that:
 - a. Directs Con Edison to begin the development of the RRT Line and the SIU Project, both of which will ultimately be transferred to and owned by the NY Transco, subject to the halting mechanism and cost recovery proposal set forth in the Plan;
 - b. Requests that NYPA and directs that NYSEG begin the development of the Marcy South Series Compensation and Fraser to Coopers Corners Reconductoring Project, which will ultimately be transferred to and owned by the NY Transco, subject to the halting mechanism and cost recovery proposal set forth in the Plan;
 - c. Approves this Plan including the cost recovery, cost allocation and halting mechanism proposals of the Plan;
 - d. Directs Con Edison to implement its IPEC EE/DR program as set forth in the Plan with cost recovery and subject to halting; and
 - e. Finds, on a preliminary basis, that the RRT Line; the MSSC Project; and the SIU Project are public policy projects that meet the public policy requirements of New York State as identified in the Order and the Blueprint;
3. Establish a public comment period in this docket pursuant to the SAPA to solicit comments on the proposed public policy enunciated in the Order;
4. Issue an order in September 2013 (*i.e.*, the September Order) that:

- a. Selects a final set of transmission and generation projects to move forward subject to the halting, cost allocation, and cost recovery mechanisms set forth in this Plan;
- b. Finds that developing and implementing an Indian Point Contingency Plan is a state public policy that drives the need for transmission;
- c. Finds, to the extent that any of the TOTS are selected as final projects, that the RRT Line; the MSSC Project; and the SIU Project are public policy projects that meet the specified public policy needs of New York State as identified in the November 30th Order establishing this proceeding and the September Order;
- d. Directs, to the extent that any of the TOTS are selected by the Commission as a final project, that it authorizes the recovery by Con Edison, NYPA and NYSEG of all reasonable and prudent costs incurred in pursuing each TOTS that is not otherwise recovered through the NYISO tariff pursuant to the cost allocation method described in the Plan;
- e. Directs that each NYTO impacted by the Plan modify its retail cost recovery mechanisms for transmission and transmission-related costs, to the extent necessary, to provide that all NYISO transmission charges allocated to that individual NYTO as a result of the September Order will be recovered from that NYTO's retail customers;
- f. Authorizes the recovery by Con Edison of all costs incurred in developing and implementing this Plan; and
- g. Establishes a mechanism to enable NYPA to recover all costs incurred in developing and implementing this Plan.

Dated: February 1, 2013

Respectfully submitted,

/s/ Neil H. Butterklee

Neil H. Butterklee

Consolidated Edison Company of New York, Inc.

Assistant General Counsel

4 Irving Place, 1875-S

New York, N.Y. 10003

(212) 460-1089

butterklee@coned.com

/s/ Glenn D. Haake by NHB

Glenn D. Haake

Principal Attorney

New York Power Authority

30 South Pearl Street – 10th Floor

Albany, New York 12207-3245

(518) 433-6720

glenn.haake@nypa.gov

Exhibit A

IPEC EE/DR Program

To mitigate the need created with a retirement of the Indian Point Energy Center (“IPEC”) by the In-Service Deadline, Con Edison has been collaborating with its partners at NYPA and NYSEERDA, initiating preliminary discussions that have identified incremental energy efficiency, demand response, and combined heat and power (“CHP”) initiatives that can be achieved prior to the In-Service Deadline (“IPEC EE/DR Program”). Achieving sufficient demand reduction through new incremental programs will help reduce the need for additional transmission and generating capacity which ultimately creates a long term avoided cost benefit for customers.

Con Edison proposes to achieve an additional peak demand reduction of 100 MW by the In-Service Deadline through new incremental EE and DR initiatives. The IPEC EE/DR Program will be additional to the suite of existing EEPS programs, with a focus on creating a holistic portfolio of solutions for reducing and managing loads primarily in large buildings. The IPEC EE/DR Program portfolio will include EE measures such as LED lighting, installed advanced control systems such as Building Management Systems (“BMS”) and Energy Management Systems (“EMS”), and other controls that address roof-top, package terminal air conditioning (“PTAC”), room air conditioning (and similar non-central air conditioning units), installed advanced high efficiency HVAC and energy storage systems, and an extension of the steam air conditioning (“AC”) incentives to all existing steam AC customers in addition to the Con Edison targeted Steam AC program initiated in Oct 2012. The advanced control systems (BMS, EMS) will allow for additional participation in Con Edison and NYISO demand response programs.

The range of programs envisioned under this portfolio approach would require the Commission to authorize in its April Order funding of at least \$300 million to facilitate success.¹

Building on existing expertise and infrastructure will be critical for expeditiously increasing market penetration. Con Edison anticipates that to achieve the stated amount of demand reduction in such a short period of time, projects will need to be incentivized at a level that rapidly encourages interest and participation by customers. It anticipates that all or most incentive levels in the IPEC EE/DR Program will need to be structured to ensure that payback periods are 12 months or less (*e.g.*, new equipment will save as much energy in one year as the customer paid for the equipment). The short payback period is necessary since the projected savings assume equipment replacement prior to its end of life; customers require higher incentives to replace existing equipment and move to the highest efficiency equivalency. In addition, short customer payback periods would help to ensure that equipment replaced at end of life would not be replaced quickly with standard (less efficient) equivalents, and encourage the highest efficiency replacement.

The need to keep pace with evolving markets and customer preferences necessitates a flexible portfolio design. Con Edison proposes to continually evolve programs, adjust incentives, and introduce new programs into the market to keep customers engaged. Con Edison anticipates that the proposed IPEC EE/DR Program opportunities would be offered to customers as peak demand reduction incentives to complement or enhance existing EEPS incentives. Thus, the incremental 100 MW of demand reduction that is coincident with the system peak must be viewed as a “net” goal, making the need for flexible innovative programs even more critical to

¹ There may be joint opportunities with NYSERDA to achieve these incremental energy efficiency increases that contribute to peak load reductions. The Commission may choose to evaluate NYSERDA funding levels in order to achieve the incremental goal.

minimize the impact on existing programs and keep pace with new and evolving demand reduction opportunities.

Con Edison envisions that 100 MW of permanent peak demand reduction would be achieved through a customer incentive program funded through a separate surcharge that would sunset at the end of a four-year period (including time for administrative and operations completion of the program). Con Edison would recover actual expenses from the IPEC EE/DR Program through an electric surcharge on customer electric bills in the calendar quarter immediately following the calendar quarter in which they were incurred. As shown in TABLE A.1 below, projected expenses are expected to begin in the 2nd quarter of 2013 for administrative and marketing functions and conclude in the 3rd quarter of 2016.

TABLE A.1

	2013			2014				2015				2016		
Forecast Quarter	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
TOTAL GROSS Projected Peak MW Cumulative	0	0	0	2	11	25	34	43	58	77	100	100	100	100
TOTAL Projected Cumulative Expenditures (\$ Million)	0.2	0.5	6	13	28	50	70	105	157	208	249	280	295	300
Projected Quarterly Expense (\$ Million)	0.2	0.3	5.5	7	15	22	20	35	52	51	41	31	15	5

In the event that the Commission terminates this IPEC EE/DR Program prior to its approved conclusion through a halting order, Con Edison would continue collection of funds necessary for fulfillment of all customer commitments in place at the time of program halting and terminate the IPEC EE/DR Program from that point forward. Con Edison does not believe that reinstating programs after termination would be a viable option because of the time needed

to ramp programs up and the attendant uncertainty that termination and subsequent reinstatement introduces into the market.

Con Edison does not believe that the Total Resource Cost (“TRC”) test currently employed by EEPS should be used in the IPEC EE/DR Program to evaluate the cost effectiveness of EE measures. The TRC test is based on a multitude of variables that do not fully capture the environmental and societal value from permanently reducing the need for fossil generation capacity. The test also requires extensive communication between parties, and must be constantly recalculated during all components of program design. Each of these would hamper the achievement of demand reductions from the programs by the In-Service Deadline.

Achieving the IPEC EE/DR Program goals will require a regulatory structure that facilitates flexibility in design and expedited implementation. As such, and as an alternative to the traditional TRC test that is employed in the current EEPS programs, Con Edison proposes a flexible portfolio design to allow Con Edison to evaluate programs and projects on a rolling basis. The analytical framework for evaluation would be based on an efficiency cost curve (*e.g.*, \$/ KW-saved) that is less than or equal to the total cost of building and running new generation, transmission, and distribution assets. This framework will be similar to that used in the current targeted demand side management program, but will include consideration of long term avoided costs of transmission and generation. Con Edison proposes to create a portfolio report of the programs and projects accomplished, measures used, dollars expended, and dollars committed that will be delivered to Staff on a quarterly basis.²

Recognizing the need for rapid and innovative action by Con Edison, the Commission should authorize a shareholder incentive that is more effective than that provided for Energy

² In the first quarterly report, Con Edison will identify the methodology for calculating and tracking incremental demand reductions that result from the IPEC EE/DR Program.

Efficiency Portfolio Standard (“EEPS”) programs and provides a financial incentive designed instead to provide long term benefits. Con Edison proposes that the Commission consider the implementing one of the following alternative incentive structures, or other similar approach, that would be unique to this portfolio:

- 1) Con Edison will be authorized a rate of return on the total investment in the IPEC EE/DR Program for which the cost of demand reduction is less than the cost of new generation (\$/kW);
- 2) Con Edison’s IPEC EE/DR Program expense is treated as if it were a capital expense, and granted a rate of return based on a percentage of the most recent completed rate case; and
- 3) A pre-determined incentive value is agreed upon prior to IPEC EE/DR Program implementation, and is based on preliminary cost estimates and the most recent rate of return on capital; and upon expiration of the IPEC EE/DR Program (either through time or set by budget), the utility is granted a commensurate percentage of incentive based on degree of success in achieving reductions (*e.g.*, achieving 80% of target yields 80% of incentive or some other such agreed upon scaling).

Con Edison expects that the portfolio of programs identified below will experience upfront administrative hurdles and market barriers that will need to be overcome. Adequate time must be given to launch, procure contracts, and begin implementation prior to the closure of IPEC. If the net 100 MW of demand reduction are to be relied upon prior to IPEC’s closure, Con Edison will need to secure an approval to proceed with funding, program development, and implementation by April 2013.

The IPEC EE/DR Program will focus on measures that have the greatest opportunities for success in a short timeframe and will most readily complement the existing EEPS programs to

yield cost effective demand reductions. These opportunities are predominantly found in large building lighting systems, HVAC, and control systems.

The IPEC EE/DR Program also recognizes there exist opportunities to work with NYSERDA to incentivize retail sales of energy efficient customer-run appliances and equipment that are run during times that are coincident to the transmission peak (*i.e.*, window AC units).³ To the extent that NYSERDA’s efforts are applied toward infrastructure planning through the IPEC EE/ DR Program, NYSERDA would provide access to all project data such as the type, size and location of the measures and projects it undertakes in Con Edison territory.

The table below outlines the range of programs that could be implemented:

TABLE A.2

<i>Sample Measure⁴</i>	<i>Permanent EE/DR MW Savings⁵</i>	<i>Description</i>	<i>Obstacles to Implementation</i>
LED Lighting	40	<ul style="list-style-type: none"> • Replace T5, T8, T12 with LED • Replace interior and exterior • Replace CFL, Halogen with LED • Controls 	<ul style="list-style-type: none"> • Availability of bulbs, availability of ballasts and fixtures • Time frame for next generation LED bulb • Quality of light • Potential cannibalization of current EEPS
BMS, EMS and other	12	<ul style="list-style-type: none"> • Install advanced control systems 	<ul style="list-style-type: none"> • Life of current system not exceeded • Cost of advanced systems • System compatibility, equipment and cabling footprint • Potential cannibalization of current EEPS
HVAC	20	<ul style="list-style-type: none"> • Install advanced High efficiency systems 	<ul style="list-style-type: none"> • Life of current system not exceeded • Cost of hi efficiency systems

³ To achieve the IPEC EE/DR Program goals, NYSERDA incentives would have to be structured with a goal of achieving a net reduction in electricity demand.

⁴ Sample Measures listed are not intended to be exclusive.

⁵ Permanent EE/DR MW Savings should be treated as approximations based on market potential as of mid 2011; these numbers are subject to change as final program design, implementation, and market penetration progress.

		<ul style="list-style-type: none"> • Controls 	<ul style="list-style-type: none"> • Equipment and ductwork footprint • Potential cannibalization of current EEPS
Steam AC	8	<ul style="list-style-type: none"> • Extend steam AC incentives to all existing steam AC customers 	<ul style="list-style-type: none"> • Life of current system not exceeded • High cost of steam • Market availability of steam AC chillers
Other	20	<ul style="list-style-type: none"> • Other permanent Efficiency and Demand Response measures 	

In addition to the examples and programs cited above, Con Edison believes that new and innovative program designs may create additional opportunities for demand reduction after the initial IPEC EE/DR Program portfolio has been crafted. Accordingly, Con Edison reiterates the need to maintain flexibility in implementing its portfolio, and the ability to quickly assess and pursue new program opportunities to achieve maximum demand reduction at a reasonable cost.

Exhibit B

Detailed Description of Marcy South Series Compensation and Fraser to Coopers Corners Reconductoring Project

Detailed Description of Marcy South Series Compensation and Fraser to Coopers Corners Reconductoring Project

I. Project Description:

The Marcy South Series Compensation and Fraser to Coopers Corners Reconductoring (“MSSC”) project will add switchable series compensation to increase power transfer by reducing series impedance over the existing 345kV Marcy South lines. Specifically, the project will add 40% compensation to the Marcy-Coopers Corners 345kV line and 25% compensation to the Edic-Fraser / Fraser-Coopers Corners 345kV line through the installation of capacitors. This project will reconductor approximately 21.8 miles of the NYSEG-owned Fraser-Coopers Corners 345kV line (FCC-33) with 2784 ACCC conductor using existing towers and will involve upgrades at the Marcy, Fraser, and Coopers Corners 345kV substations. The project will increase thermal transfer limits across the Total East interface and the UPNY/SENY interface and will also provide a partial solution for system reliability should IPEC retire.

II. Use of Existing Rights-of-Way:

Subject to confirmation of the on-going conceptual engineering studies, it is not anticipated that additional property will be required for the re-conductoring of the approximately 21.8 miles on the FCC-33 line or the installation of the capacitors in the substations

III. Preliminary Engineering Status:

Preliminary engineering is currently underway to:

- Provide a complete definition of system equipment;
- Develop a footprint and physical layout for the series compensation;
- Provide field walk downs, site surveys, and fully specify location options;

- Detail fully compliant options for protection and control of the series capacitors and the lines in the substation yards and control rooms;
- Confirm the adequacy of structures and costs to re-conductor approximately 21.8 miles of transmission line FCC-33;
- Provide cost estimates of detailed engineering, material testing, commissioning, and other modifications.

In the near future we expect to commence Transient Recovery Voltage Calculations, Electrostatic and Electromagnetic Calculations, and Sub-Synchronous Resonance Analysis.

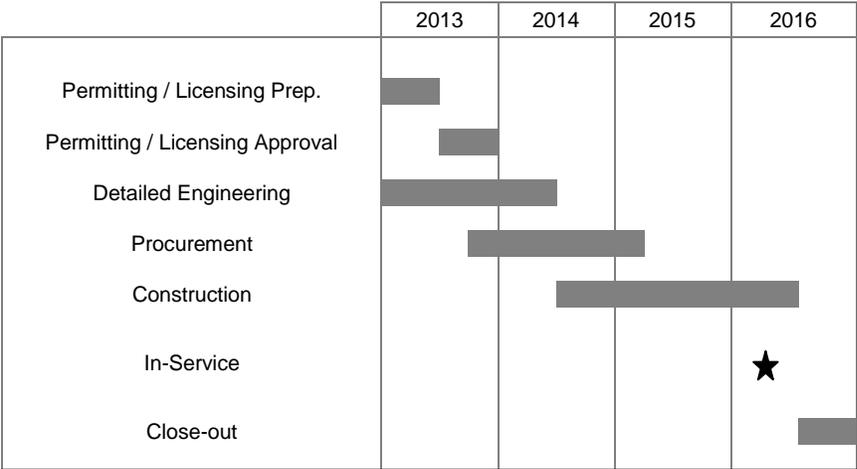
IV. Interconnection Status:

The MSSC project has NYISO queue position 380 and the development of the System Impact Study is currently underway.

V. Estimated In-Service Date:

Assuming that licensing and permitting are completed by the end of 2013 and provided that there are no delays or complications in procurement or construction, the MSSC project could be in service by June 2016. Conceptual/preliminary engineering has begun and, upon its completion, more detailed engineering and environmental studies necessary to support regulatory approval applications will be undertaken.

VI. Estimated Project Schedule:



VII. Preliminary Cost Estimate (2016 dollars): \$76 million

Redacted

Exhibit C

Detailed Description of the Second Ramapo Rock Tavern 345kV line

I. Project Description:

The project will establish a second 345kV line from the Ramapo 345kV substation to the Rock Tavern 345kV substation. The project will increase the import capability into Southeastern New York, including New York City, during normal and emergency conditions and will provide a partial solution for system reliability should Indian Point Energy Center retire. The project will be located in Orange and Rockland Counties in New York along the existing right-of-way of the existing Con Edison 345kV line 77 (Ramapo to Rock Tavern). The transmission line terminals are located in NYISO Zone G.

Central Hudson's Rock Tavern 345kV substation will be connected to Con Edison's Ramapo 345kV substation by performing three concurrent system upgrades. The first upgrade would convert O&R's Feeder 28 (Ramapo 138kV substation to Sugarloaf 138kV substation) from its current operating voltage of 138kV to 345kV by reconnecting Feeder 28 at the Ramapo 345kV substation. The second upgrade would be to create a Sugarloaf 345kV substation and add a 345 / 138kV step-down transformer between the Sugarloaf 345kV and 138kV substations. The third upgrade would be to install a 345kV line between Rock Tavern and the Sugarloaf 345kV substation utilizing bundled 1590 ACSR (2 x 1590 ACSR) conductor.

II. Use of Existing Rights-of-Way:

The project will utilize the existing right-of-way along the existing transmission route from Ramapo to Rock Tavern 345kV substations. No additional land rights are required to construct the substation upgrades at either the Ramapo substation or the Rock Tavern substation in order to connect the new 345kV line. Siting of the property for the Sugarloaf 345kV substation has not been completed, but it is anticipated this substation will utilize existing property owned by O&R in the vicinity.

III. Interconnection Status:

The second Ramapo to Rock Tavern 345kV line was submitted to the NYISO interconnection process and has queue position 368. A System Impact Study was completed and approved by the NYISO Operating Committee on August 16, 2012. No further action related to the NYISO interconnection process is required.

IV. Permitting Status:

Con Edison received an Article VII Certificate in 1972 which authorized the construction of the Ramapo to Rock Tavern transmission route with towers that could accommodate two 345kV circuits, although only one circuit was needed at that time. The Commission Order granting the Certificate allowed Con Edison to install the additional circuit with prior notice to the Commission. In 2010, Con Edison and O&R jointly petitioned the Commission to allow O&R to install proposed Feeder 28, a second circuit on the existing towers along the transmission route from Ramapo substation to Sugarloaf substation. The Commission allowed O&R to install proposed Feeder 28 under the original Article VII Certificate issued in 1972. Given the passage of time since the Certificate was granted, the Commission requested that O&R submit an updated Environmental Management and Construction Plan (“EM&CP”) presenting an assessment of potential environmental impacts associated with the installation of the proposed additional circuit. A Commission Order transferring a portion of the Article VII Certificate to O&R for installation of Feeder 28 from Ramapo to Sugarloaf, and approving the updated EM&CP, was issued on January 24, 2011 (Case 10-T-0283).

Based on the experience with Feeder 28, the NYTOs expect that the only key permitting/approval requirement for the second Ramapo to Rock Tavern transmission line, also called Feeder 76, is Commission approval of updated EM&CP for the project. This EM&CP

would address the Sugarloaf substation to Rock Tavern substation section of the existing right-of-way, including any incremental physical reinforcements needed to bring the existing transmission towers to current standards. The EM&CP would also address the proposed Sugarloaf 345kV substation and the incremental additional equipment required at Ramapo and Rock Tavern substations, and would be equivalent in content and level of detail to the Feeder 28 EM&CP which was approved by the Commission in January 2011.

The Feeder 76 EM&CP would present an assessment of potential environmental impacts associated with the installation of the proposed additional circuit on the existing towers, and with the construction and operation of the proposed Sugarloaf 345kV substation and the incremental additional equipment at Ramapo and Rock Tavern substations. The EM&CP would identify the governing Federal/State/Local permitting/regulatory requirements, and then evaluate the Feeder 76 project components against the substance of those requirements. This effort would include evaluation of Feeder 76 predicted magnetic field levels against the Commission's interim 200 mG standard, and consultation with other State and Local agencies on matters within their jurisdiction, for example with NYSDEC regarding protection of State endangered/threatened species.

The following sets forth a preliminary list of major Federal, State and Local permits/approvals which are expected to be filed separately from the EM&CP:

- 1) Federal permits/approvals governing Feeder 76 project activities in any Federally-regulated wetlands and water bodies:

The existence and extent of any Federally-regulated wetlands or water bodies would be identified during preparation of the Feeder 76 EM&CP. Feeder 76 installation activities affecting any Federally-regulated wetlands and water bodies would likely be

permitted under the Clean Water Act Section 404 Nationwide Permit No. 12 (“NWP 12”), which was developed to cover land clearing and similar activities associated with installation of utility line crossings of wetlands and water bodies. NWP 12 provides authorization for such activities provided the cleared area is kept to the minimum necessary and preconstruction contours are maintained. The eligibility of Feeder 76 installation activities for NWP 12 would be confirmed during preparation of the EM&CP, and the required Pre-Construction Notification (“PCN”) prepared and filed with the U.S. Army Corps of Engineers.

- 2) Federal requirements governing endangered/threatened species and archeological/cultural resources, which may require that protective measures be employed during installation of Feeder 76:

During preparation of the EM&CP, the potential for Feeder 76 installation activities to affect such resources would be identified, any necessary Federal agency consultation would be performed, and any necessary protective measures would be developed.

- 3) State permits/approvals governing Feeder 76 project activities in any State-regulated wetlands and water bodies:

The existence and extent of any State-regulated wetlands (defined differently than Federally-regulated wetlands) and State-regulated water bodies would be identified during preparation of the Feeder 76 EM&CP. NY Transco would likely seek to follow the recent Con Edison / O&R Feeder 28 experience for installation activities affecting State-regulated wetlands and water bodies. Briefly stated, for Feeder 28 O&R was given authorization by NYSDEC to conduct feeder installation activities in

accordance with a NYSDEC General Permit issued to O&R under Environmental Conservation Law Article 15 – Protection of Waters and Article 24 – Freshwater Wetlands. The eligibility of Feeder 76 activities for coverage under Con Edison/O&R’s corresponding NYSDEC General Permit would be identified during preparation of the EM&CP, and the required notification package submitted to the NYSDEC.

4) Coverage under NYSDEC SPDES Construction Storm Water General Permit:

The Feeder 76 EM&CP preparation effort would include a State Pollutant Discharge Elimination System (SPDES) Construction Storm Water Pollution Prevention Plan (SWPPP) as a component of the EM&CP, and a Notice of Intent for filing by NY Transco with NYSDEC.

5) State and Local Transportation and Utility Crossing permits/approvals:

The Feeder 76 installation activities have the potential to impact roads, highways, railroads and other existing utilities. The EM&CP preparation process would identify each crossing affected and outline construction practices ensuring that vehicular, pedestrian or rail traffic is not adversely impacted. The appropriate state and local officials would be contacted and required permits for crossing and construction access would be obtained. For New York State highways this would require preparation and submission of NYSDOT Highway Work Permit applications, and Maintenance & Protection of Traffic Plans.

V. Estimated In-Service Date: June 2016

VI. Estimated Project Schedule⁶:

	2013	2014	2015	2016
EM&CP Preparation	■			
EM&CP Approval		■		
Detailed Engineering	■	■		
Procurement		■	■	
Construction		■	■	
In-Service				★
Close-out				■

VII. Preliminary Cost Estimate (2016 dollars): \$123 million

⁶ The schedule reflects an accelerated EM&CP preparation and approval process to meet the target in-service date of June 2016, and is dependent on receiving an order from the Commission to proceed with the project in April 2013 in order to meet the estimated milestones.

Redacted

Exhibit D

Detailed Description of the Staten Island Un-Bottling Project

Detailed Description of the Staten Island Un-bottling Project

I. Project Description:

Un-bottling Staten Island generation and transmission resources will require the installation of a new 345kV feeder and the forced cooling of existing four 345 kV feeders. The new feeder would mitigate a contingency within New York City by installing a new double leg feeder into new positions at the Goethals and Linden substations. The forced cooling of the existing four 345 kV feeders will increase transmission capacity between Goethals, Gowanus, and Farragut substations. The Project would be located in Staten Island and Brooklyn, New York and Union County (Linden), New Jersey. This project is located in NYISO Zone J.

The new 345kV double circuit solid dielectric cable system interconnecting the Goethals substation to the Linden substation will be approximately 1.5 miles. The feeder will cross Arthur Kill River to get from Staten Island, NY to Linden, NJ. Both substations will need new 345kV breakers and bus modifications to establish new bus positions for the new feeder and to maintain feeder separation. Linden Substation is an SF6 (sulfur hexafluoride) station that requires SF6 equipment to expand the station. Although Goethals Substation is an open air substation, due to limited space, the new bus position needs to be established using SF6 equipment.

The project also includes the installation of ten (10) refrigeration plants to increase transmission capacity between Goethals, Gowanus, and Farragut substations on the four 345 kV feeders 25, 26, 41, and 42. Six of these plants will be installed in support of feeders 25 and 26; one each at Gowanus and Goethals Substations and four along the route of the feeders. The plants along the route need to be sited equidistant to each other and the interconnecting stations. One of these locations is the current Bay Street property, which will hold two cooling plants.

The other location will hold another two plants in support of feeders 25 and 26 will need to be acquired. The next four plants will be installed in support of feeders 41 and 42; two each at Gowanus and Farragut Substations.

II. Property Acquisition:

The first two of the six cooling plants will be located at the terminal stations of feeders 25 and 26. The next two of the six cooling plants required to cool feeders 25 and 26 will be installed at the Bay Street property. The last two cooling plants will require the acquisition of new property. This new property needs to be located as close as possible to the route of feeders 25 and 26, large enough to hold two refrigeration plants, and needs to be located at the midpoint of Goethals Substation and the Bay Street plant. Acquisition of the property has not been completed. The property must be procured to accommodate the service date of May 2016.

III. Interconnection Status:

On January 18, 2013, NYISO pronounced, per Section 2.4.2 of the NYISO Transmission Expansion and Interconnection Manual, that a System Impact Study is not required for the proposed modifications.⁷

IV. Permits:

The following sets forth a preliminary list of major Federal, State and Local permits/approvals which are expected to be filed (additional permits may also be required). These filings and reviews will take approximately six months to one year to complete. The exact timeframe would be determined through a pre-application conference with the U.S. Army Corps of Engineers (USACE), the New York State Department of Environmental Conservation

⁷ The Staten Island Un-bottling project is contingent on the use of the Co-Gen position at the Linden Substation.

(NYSDEC), and the New Jersey Department of Environmental Protection (NJDEP), to discuss the project and confirm permitting requirements.

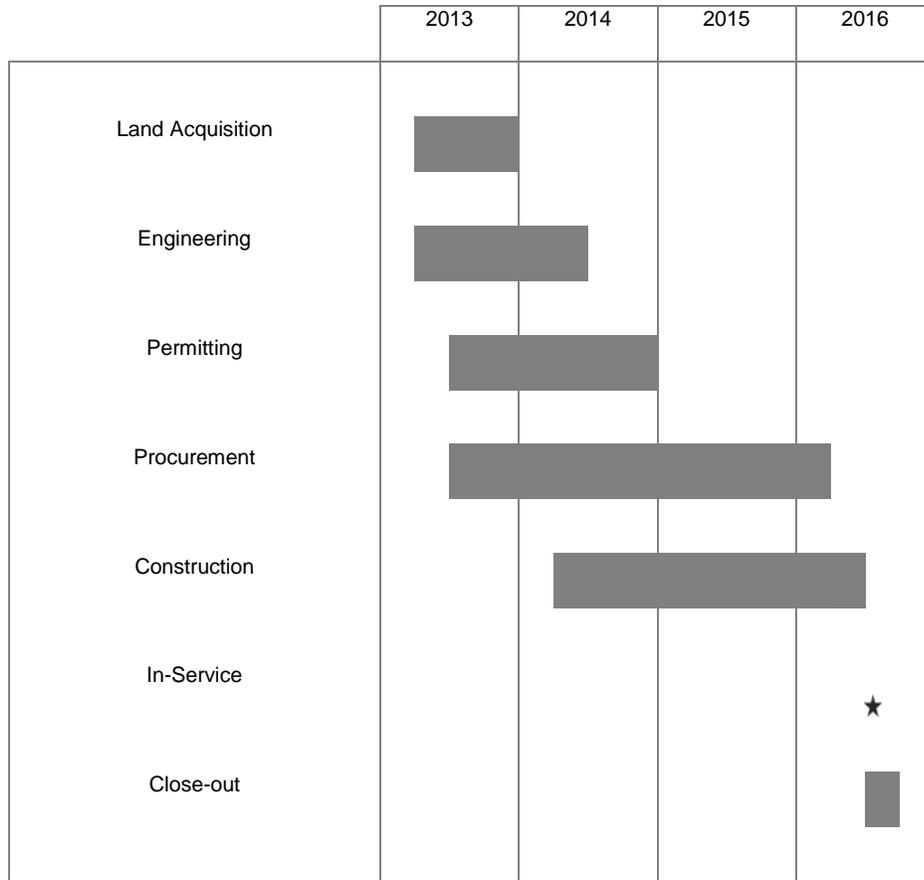
1. U.S. Army Corps of Engineers (USACE):
 - a. Permitting is needed for the new cable installation beneath the Federally-regulated water body (Arthur Kill) and through the Federally-regulated wetlands
 - b. Potential USACE permits needed:
 - i. USACE Nationwide Permit (NWP) 12, which is only applicable for activities that have minimal adverse effects on the environment
 - ii. USACE Section 10 of the Rivers and Harbors Act of 1899, Section 404 of the Clean Water Act
 1. An individual permit would trigger an environmental impact review under the National Environmental Policy Act (NEPA)
2. Article VII Exemption and Individual Permits: The PSC issued a Declaratory Ruling in November 1990 allowing the Cogen Tech interconnection to be exempt from the Article VII process. This 1990 determination would need to be reconfirmed with the PSC for the new parallel feeders to be installed.
 - a. If the new Staten Island Transmission Upgrade is also exempt from Article VII, individual permits would need to be filed and an environmental impact review would need to be conducted under the Federal National Environmental Policy Act (NEPA) and NY State Environmental Quality Review (SEQR) process.

- b. Potential individual permits needed:
 - i. NYSDEC Environmental Conservation Law Article 15 (Use and Protection of Waters) and Article 25 (Tidal Wetlands)
 - ii. NYSDEC and NJDEP State Pollutant Discharge Elimination System (SPDES) Stormwater Pollution Prevention Plans (SWPPPs) for the new cable installation in the bed of the Arthur Kill and State-regulated wetlands
 - iii. NJDEP Waterfront Development Law, Wetlands Act
 - iv. City of New York and City of Linden construction-related approvals triggered by the new cable installation
 - v. NJ Turnpike Authority permits, dependent on the route of the parallel feeders
- 3. NYC Zoning/Land Use Approval:
 - a. Land use approval needed for cooling plants proposed outside existing Con Edison substations and Linden Cogen facilities
 - b. An application will need to be filed with the NYC Board of Standards and Appeals (BSA) and the local Community Board. An environmental impact review will also need to be submitted under the City Environmental Quality Review (SEQR as implemented by NYC)
 - c. Once the approval process has been completed, Con Edison would need to apply for and obtain the necessary NYC construction approvals

V. Estimated Service Date:

The proposed service date is May 2016.

VI. Estimated Project Schedule:



VII. Preliminary Cost Estimate (2016 dollars): \$312 million

Redacted

Exhibit E

RFP Respondent Information

RFP Respondent Information

Respondents to the RFP will be required to provide relevant information which may include the following information:

- Cover Letter
Statement that Respondent's proposal meets following Threshold Criteria
 - i. Statement that pricing is firm through December 31, 2013
 - ii. COD deadline of June 2016
 - iii. Project provides incremental generation capacity and/or transmission capacity (i.e. not included in the 2012 Reliability Needs Assessment)
 - iv. Generation project provides a minimum of 75 MW (UCAP)
 - v. Point of injection and withdrawal (transmission) or interconnection (generation)
 - vi. Signed by individual authorized to bind the Respondent contractually

- Contact Information:
Proposals must contain:
 - i. Company name, address and telephone number (including name, address, telephone number, and e-mail address of the contact person for Respondent in connection with its Proposal)
 - ii. Legal status
 - iii. Ownership status
 - iv. Guarantor information
 - v. For consortium proposals the consortium must provide information on its legal form, similar information as above for each member, and identify the Lead Member (the member responsible for providing all financial security, executing the resulting contracts, and providing proposed products)

- Project Team & Experience:
Respondents should provide information demonstrating competence and experience in developing, managing, and operating similar types of projects. Proposal must detail:
 - i. Business and history
 - ii. A description of the project management team
 - iii. Experience in developing, financing, constructing, and operating electric generating plants and/or transmission facilities
 - iv. Familiarity and experience with NYISO requirements and its membership status with the NYISO and/or commitment to become a member
 - v. Existing electric facilities owned and/or operated by Respondent—including size, COD, location
 - vi. Respondent's financial condition and creditworthiness.
 - a. NYPA will enter into an NDA with Respondents whose financial statements are not public
 - vii. Financing plan

- Disclosure Statements

Proposals must contain disclosure of any instances in the last five years where Respondent, any of its officers, directors or partners, any of its affiliates, or its proposed guarantor (if any):

 - i. Defaulted on, or was deemed to be in noncompliance with, any obligation related to the sale or purchase of power (capacity, energy and/or ancillary services), transmission, or natural gas, or was the subject of a civil proceeding for conversion, theft, fraud, business fraud, misrepresentation, false statements, unfair or deceptive business practices, anti-competitive acts or omissions, or collusive bidding or other procurement- or sale-related irregularities; or
 - ii. Was convicted of (i) any felony, or (ii) any crime related to the sale or purchase of power (capacity, energy and/or ancillary services), transmission, or natural gas, conversion, theft, fraud, business fraud, misrepresentation, false statements, unfair or deceptive business practices, anti-competitive acts or omissions, or collusive bidding or other procurement- or sale-related irregularities.

- Financial Capacity to Complete and Operate the Proposed Project
 - i. Provide a detailed description of proposed short- and long-term financing arrangements. A list of all equity partners, sources of equity and debt, debt structure.
 - ii. Demonstrate that financial arrangements from Respondent's parent or affiliate are sufficient to support the project through construction and the contract term.
 - iii. Describe proposed capital structure for the project.
 - iv. A schedule showing all major projects developed and financed by Respondent in the past 10 years.
 - v. Provide details of any events of default or other credit issues associated with all major projects listed above.
 - vi. Identify proposed guarantor(s) for the Project and provide documentation of the guarantor's creditworthiness including the three most recent audited financial statements of the guarantor).
 - vii. Provide information concerning the Respondent's financial condition and evidence of creditworthiness including:
 - a. Audited financial statements for its three most recent fiscal years; or
 - b. Audited financial statements from Respondent's parent, if Respondent does not have such financial statements; or
 - c. Statement describing why the statements in either i) or ii) cannot be provided and provide alternate information to demonstrate Respondent's financial capacity to complete and operate the proposed project.
 - viii. Include four references from prior projects developed by the Respondent that employed financing arrangements similar to the arrangements contemplated by the Respondent for the project

- Project Specific Information:
For all proposed projects provide a project implementation plan, including detailed schedule, and give a general overview of all aspects of the plan from commencement of construction to testing and commissioning of the Project. Please include:
 - i. Timelines for selection and award of Engineering, Procurement and Construction agreements
 - ii. Timelines for fabrication and procurement of equipment requiring significant lead times, or demonstration that such activities can be timely completed
 - iii. Equity and debt financing plans;
 - iv. EPC Contractor experience (if available);
 - v. Other Contractors experience (if available);
 - vi. A description of how the project will interconnect with the NYS Bulk Power Transmission Facilities
 - vii. If applicable, a description of the rights of way to be used or acquired
 - viii. If applicable, the thermal capacity and impedance ratings of the line
 - ix. The required substation and protection additions or modifications required including a list of major equipment and their ratings
 - x. Status of site control and a description of the property that would need to be acquired for the project
 - xi. A list of anticipated Electric System Upgrade Facilities
 - xii. Status of the project in the NYISO's Interconnection Queue
 - xiii. A major milestone schedule

For generation projects –

- a. Complete detailed generation data sheet
- b. Project location
- c. Project size in MW (Note: projects must be a minimum of 75 MW (UCAP))
- d. Fuel Supply plans:
- e. Access to and interconnection with gas pipeline facilities;
- f. Identify and describe any manual or automated fuel switchover capability;
- g. Gas supply and transportation; and
- h. For projects having non-firm gas transportation: Fuel oil storage for a minimum 5 days of continuous full power operation including plans for liquid fuel procurement, supply and transportation

For transmission projects –

- a. Complete detailed transmission data sheet
- b. Points of withdrawal and injection
- c. Site plan
- d. System area one-line
- e. Detailed substation one-lines
- f. Substation plot plans
- g. Transmission route plan

- Environmental and Permitting:

- i. A list of all regulatory approvals required from state, federal and local licensing and environmental regulatory agencies, and a schedule for applications and expected regulatory approvals
 - ii. If planning to permit project under SEQRA, statement of how project qualifies under SEQRA rather than Article 10
 - iii. Environmental impact impacts and externalities
 - a. Emissions (NO_x, SO₂, CO₂)
 - b. Cooling water
 - c. Land use impact
 - iv. Environmental justice issues
- Contract Exceptions
 - i. Provide a detailed list of all contract exceptions
 - ii. Provide a redline Word document markup of NYPA draft contract relevant to project
- Project Costs:
 - i. Respondents will submit detailed capital cost estimate breakdowns, including a proposed spending schedule, for each segment of the project and must include the following at a minimum:
 - a. Licensing/permitting
 - b. Engineering
 - c. Construction labor
 - d. Major equipment
 - e. Real estate acquisitions and rights of ways
 - f. Overheads
 - g. Contingencies
 - ii. Description of project assumptions used for the basis of the project capital costs
 - iii. Halting costs
 - a. Dates and spending thresholds according to a schedule that will be defined in the RFP
- Pricing:

For transmission projects, Respondents will provide a single price (in \$/month) to cover the full term. In addition, provide a list of assumptions used in calculating the pricing, which shall include but not be limited to:

 - i. Cost of capital
 - ii. Annual operations and maintenance costs
 - iii. Property Taxes
 - iv. Escalation rate

For generation projects, Respondents will submit pricing in two forms.

- a. The first will be in the form of a contract for differences (“CFD”) in which the total cost of the project is fixed, but the monthly payment due will be reduced by the amount of the market revenues available to the project for that month. Pricing must be in total dollars per month.

- b. The other required bid form will be as a contract that states the fixed amount that the project developer requires on a dollar per month basis for support in addition to the market revenues it expects to realize. This is similar to the approach employed in the Renewable Portfolio Standards venue.

In addition, provide a list of assumptions used in calculating the pricing, which shall include but not be limited to:

- a. Cost of capital
 - b. Annual operations and maintenance costs
 - c. Property Taxes
 - d. Escalation rate
- Community outreach plan:
Respondents should provide the following:
 - i. A detailed description of Respondent's planned approach to managing the potential impact on affected communities and interested parties.
 - ii. A description of any community outreach activities that Respondents have conducted prior to submitting its proposal in this RFP.
 - iii. In the event that Respondent's proposal is selected, a description of Respondent's planned activities after selection and how it would coordinate such activities with Con Edison/NYPA, including:
 - a. A description of the plan for educating affected communities about the Project.
 - b. Plan to secure community input about Project on an ongoing basis.
 - c. Plan to integrate community needs and concerns into Project planning.
 - d. Plan for using local labor and materials.
 - e. An explanation of the economic development opportunities associated with Project to the community.
 - f. Plan to prepare mitigation plan associated with local siting and permitting issues for community review.
 - Minority/Women-Owned Business Enterprise
 - Description of the approach for use of NY State certified M/WBEs in connection with the project
 - Economic development benefits:
Respondents should describe the following:
 - i. Impact of the project on the State and local economy.
 - Construction jobs
 - Long term jobs

Exhibit F

RFP Contract Terms

Major RFP Contract Terms

The RFP will include a form of PPA that includes standard commercial terms and conditions. Set forth below is a listing of indicative provisions that will be included, with special attention to proposed milestone dates. We anticipate that the September Order will impose similar terms and conditions any Selected Transmission Projects.

- i. General Definitions
- ii. Representations and Warranties
- iii. Obligations and Deliveries
- iv. Remedies for Failure to Deliver or Receive
- v. Payment Provisions
- vi. Credit and Collateral Provisions Related to Achieving Milestones and ICAP Obligations
- vii. Project Milestones
 - a. Design Completed
 - b. Site Studies and Surveys Completed
 - c. NYISO Feasibility Study Completed
 - d. NYISO Impact Study Completed (SIS or SRIS)
 - e. NYISO Facilities Study Completed
 - f. Posting of Security for SUF and SDU Costs
 - g. Interconnection Agreement Executed and Filed at FERC
 - h. Permit Applications Submitted
 - i. Permitting and Regulatory Approvals Received
 - j. Construction Contract Executed
 - k. Notice to Proceed Issued
 - l. Interim Construction Milestones Achieved
 - m. Commercial Operation Achieved
- viii. Halting Mechanism and Cancellation Cost Recovery
- ix. Confidentiality Provisions
- x. Indemnity
- xi. Limitations on Liability
- xii. Force Majeure

Exhibit G

Ongoing Demand Reduction Initiatives

Con Edison has also been collaborating with its partners at NYPA and NYSERDA to identify incremental EE, DR, and CHP initiatives over and above what is already included in the 2012 RNA that can be achieved prior to the In-Service Deadline. There exists a combination of programs with funding that is not currently included in the Updated 2012 RNA which is still being reconciled.⁸ The Plan will ultimately incorporate these during the evaluation process that determines the final set of transmission and generation solutions.

In late 2012, Con Edison expanded its Targeted DSM program, offering incentives to retain steam air conditioning (“AC”) customers in targeted electric networks which will result in 8 MW of incremental peak load reduction by 2016.

NYPA has been working with several New York City and State Agencies, including those affected by Governor Cuomo’s recently announced Executive Order 88 “Build Smart NY,” to identify incremental demand reductions based on long term capital planning and expects to achieve an additional 15 MW peak demand reductions not accounted for in the 2012 RNA (some projected achievements from Build Smart NY are already included in the 2012 RNA). This represents work associated with aeration and de-watering system upgrades at wastewater treatment plants in New York City as well new efficiency opportunities identified in master energy plans that are envisioned for university campuses in New York City. Equipment at many of the wastewater treatment plants has outlived its useful life and there has been significant advancement in the technology that can be employed to further reduce high level energy consumption at these facilities. Campus-wide ASHRAE Level II audits will help identify capital energy efficiency retrofits. In addition to energy efficiency measures, the audits will help to

⁸ The impact could be as much as 88 MW once the programs in-progress are fully identified and accounted for. These programs are in addition to the 100 MW incremental demand reduction to be achieved through the IPEC EE/DR Program.

identify opportunities for cost effective on-site renewable generation and potential for combined heat and power projects. Additionally, NYPA has been working with customers to install CHP projects and expects that 15 MW will be placed in service by the In-Service Deadline.

Lastly, NYSERDA has also identified that an additional 50 MW of incremental demand reduction can be attributable to existing CHP initiatives expected to be in service by the In-Service Deadline. These projects are already approved and funded under existing CHP avenues in the SBC and Technology and Market Development programs.

Together, Con Edison, NYPA, and NYSERDA have identified these 88 MW of demand reductions as already underway, but not previously reflected in the NYISO's 2012 RNA and may serve to mitigate the reliability need.