



NYPA Annual Transmission Revenue Requirement (ATRR)

2016 Annual Update Meeting

August 4, 2016



Agenda

Section 14.2.3.2 of the NYISO Open Access Transmission Tariff requires an update of NYPA's Annual Transmission Revenue Requirement (ATRR) formula rate by July 1st for each upcoming year and to hold an open meeting for all Interested Parties. The updated formula rate will apply to the period from July 1, 2016 through June 30, 2017.

Purpose of the meeting

- Explain the update to the ATRR
- Identify concerns of Interested Parties
- Answer questions

Annual Review Schedule

Publication Date	6/30/2016	no later than July 1
Discovery Period Begins (Information Requests)	7/1/2016	commences the calendar day immediately following the Publication Date
Review Period Begins (Preliminary Challenge)	7/1/2016	commences the calendar day immediately following the Publication Date
Post Notice of Open Meeting	7/5/2016	within 5 calendar days of publication date, no less than 15 calendar days prior to the Open Meeting
Open Meeting	8/4/2016	no earlier than 20 calendar days and no later than 40 calendar days after the Publication Date
Discovery Period Ends (Information Requests)	10/28/2016	ending 120 days after the Publication Date
Response to ALL Information Requests	11/30/2016	later of November 30 or 30 calendar days after close of Discovery Period
Review Period Ends (Preliminary Challenges)	1/15/2017	later of Jan 15 following Publication Date, 60 calendar days after close of Discovery Period, 30 days after NYPA has responded to all timely submitted Information Requests.
Response to ALL Preliminary Challenges	2/15/2017	later of Feb 15 following Publication Date, 30 calendar days after close of Review Period
Informational Filing	3/15/2017	by Mar 15 following the Publication Date or 60 days following the close of the Review Period
Formal Challenge Filing Due	4/15/2017	by Apr 15 following Publication Date or 30 calendar days after NYPA makes Informational Filing

* all dates subject to holiday/weekend exceptions

Key Points

- NYPA's proposed formula rate and protocols to Attachment H of the NYISO OATT were accepted for filing by FERC under Docket No. ER16-835-000, effective April 1, 2016, and set for hearing and settlement judge procedures.
- Components of the Formula Rate that were set for hearing/settlement and which may change in accordance with any settlement agreement approved by FERC will be incorporated into the next Annual Update and True-Up Adjustment.
- The filed formula rate's ATRR covered the time period April 1, 2016 through June 30, 2016. The updated ATRR covers the time period July 1, 2016 through June 30, 2017.
- NYPA uses historical annual data to project its ATRR. The ATRR that covers the April 1, 2016 through June 30, 2016 was a projection based on 2014 calendar year actual costs. The updated ATRR is a projection based on 2015 calendar year actual costs.
- The first True-Up Adjustment for April 1, 2016 through December 31, 2016 will be included in the July 1, 2017 Annual Update.

ATTR - INITIAL RATE YEAR vs. CURRENT RATE YEAR COMPARISON

<u>A. OPERATING EXPENSES</u>	Initial Rate Yr 1/ TOTAL \$	Current Rate Yr 2/ TOTAL \$	<u>Difference</u>	<u>Source</u>
Operation & Maintenance Expense	58,986,185	61,722,659	2,736,474	Schedule A1, Col 5, Ln 17
Administration & General Expenses	39,903,412	41,584,418	1,681,006	Schedule A2, Col 5, Ln 22
Depreciation & Amortization Expense	41,466,317	46,333,802	4,867,485	Schedule B1, Col 6, Ln 26
TOTAL OPERATING EXPENSE	140,355,914	149,640,879	9,284,965	
<u>B. RATE BASE</u>	<u>672,215,016</u>	<u>656,767,180</u>	<u>(15,447,836)</u>	Schedule C1, Col 5, Ln 10
Return on Rate Base	49,598,747	48,584,526	(1,014,221)	Schedule C1, Col 7, Ln 10
TOTAL REVENUE REQUIREMENT	189,954,660	198,225,405	8,270,745	

1/ ATTR effective 4/1/2016 through 6/30/16

2/ ATTR effective 7/1/2016 through 6/30/17

Operations and Maintenance (O&M) Comparison Initial Rate Year vs. Current Rate Year

O&M TRANSMISSION	Initial Rate Yr (\$)	Current Rate Yr (\$)	Difference
TOTAL OPERATION	26,077,193	21,404,960	(4,672,233)
TOTAL MAINTENANCE	34,434,272	42,132,294	7,698,021
ADJUSTMENTS	<u>(1,525,281)</u>	<u>(1,814,595)</u>	<u>(289,314)</u>
TOTAL ADJUSTED O&M	58,986,185	61,722,659	2,736,474

The primary drivers of the change in transmission O&M are:

- Refurbishment of Massena Autotransformer Reactors
- St. Lawrence Region Tower Painting
- Vegetation Management
- Partially offset by completion of the St. Lawrence Line Clearance Remediation

Administrative and General Expenses Comparison Initial Rate Year vs. Current Rate Year

<u>Administrative & General Expenses</u>	<u>Initial Rate Yr (\$)</u>	<u>Current Rate Yr (\$)</u>	<u>Difference</u>
TOTAL A&G Expense	146,281,971	154,155,284	7,873,313
NET A&G TRANSMISSION EXPENSE 1/	<u>39,903,412</u>	<u>41,584,418</u>	<u>1,681,006</u>
<u>Administrative & General Expenses Allocator</u>			
Transmission Labor Allocator	<u>28.41%</u>	<u>27.61%</u>	
Transmission Plant Insurance Allocator	<u>14.90%</u>	<u>15.11%</u>	

1/ Net A&G Transmission Expense is calculated by multiplying each included component of the Total A&G Expense by the appropriate Transmission Allocator. The majority of components are allocated based on the Transmission Labor Allocator.

The primary drivers of the change in A&G are:

- Retroactive salary payments
- External services for Internal Audit Management
- Smart Generation and Transmission – related expenditures
- Partially offset by increased payroll charged to capital projects

Transmission Depreciation & Amortization Expense

	<u>Initial Rate Yr (\$)</u>	<u>Current Rate Yr (\$)</u>	<u>Difference</u>
Unadjusted Depreciation	35,285,173	39,859,525	4,574,352
Adjustments 1/	<u>(1,099,361)</u>	<u>(1,035,604)</u>	<u>63,757</u>
TOTAL	34,185,812	38,823,921	4,638,109

1/ Capitalized Lease Amortization, FACTS, Windfarm, and Step-up Transformers

The change in depreciation expense is due to:

- \$4.5 M Cost of Removal booked to NYPA's transmission assets in 2015 based on the 1995 Depreciation Study
- \$0.1 M due to new Transmission Plant additions in 2015

General Plant Depreciation & Amortization Expense

	<u>Initial Rate Yr (\$)</u>	<u>Current Rate Yr (\$)</u>	<u>Difference</u>
Unadjusted General Plant Depreciation	40,771,916	42,439,722	1,667,806
Adjustments 1/	<u>(15,145,356)</u>	<u>(15,239,698)</u>	<u>(94,342)</u>
TOTAL	25,626,559	27,200,023	1,573,464
Transmission Labor Ratio	28.41%	27.61%	
Allocated to Transmission based on Labor Ratio	7,280,504	7,509,881	229,376

1/ Removal of the Deprecation Expense related to Niagara and St. Lawrence Relicensing

Rate Base – Total Transmission

	Initial Rate Yr (\$)	Current Rate Yr (\$)	Source
Net Electric Plant in Service	581,579,565	569,187,757	Schedule C1, column L
Rate Base Adjustments			
Cash Working Capital (1/8 O&M)	12,361,200	12,913,385	Schedule C1, column L
Marcy South Capitalized Lease	51,200,286	49,021,550	Schedule C1, column L
Materials & Supplies	25,353,728	23,911,291	Schedule C1, column L
Prepayments	1,720,238	1,733,196	Schedule C1, column L
CWIP	-	-	
Regulatory Asset	-	-	
Abandoned Plant	-	-	
TOTAL	672,215,016	656,767,180	
Rate of Return	7.38%	7.40%	Schedule D1, column H
Return on Rate Base	49,598,747	48,584,526	

Transmission Plant in Service: Additions

ELECTRIC PLANT IN SERVICE

Total Transmission Plant:

Additions	
2014	2015
<u>22,130,430</u>	<u>16,275,566</u>

Capital Structure and Cost of Capital

	<u>Capital Ratio</u>	<u>Initial Rate Yr Cost Rate</u>	<u>Weighted Average</u>	<u>Current Rate Yr Cost Rate</u>	<u>Weighted Average</u>
LONG-TERM DEBT	40.00%	4.72%	1.89%	4.77%	1.91%
<u>COMMON EQUITY</u>	<u>60.00%</u>	9.15%	<u>5.49%</u>	9.15%	<u>5.49%</u>
TOTAL CAPITALIZATION	100.00%		7.38%		7.40%

ATRR Impact on Monthly NTAC Rate & Bills

	NTAC at \$189,954,660 ATRR 12 Month Average	NTAC at \$198,225,405 ATRR 12 Month Average
ATRR/12	\$ 15,829,555	\$ 16,518,784
EA	\$ 3,034,613	\$ 3,034,613
IR/12	\$ 1,536,000	\$ 1,603,200
SR	\$ 2,839,201	\$ 2,839,201
CRN	\$ -	\$ -
WR	\$ 187,309	\$ 187,309
ECR	\$ (450,548)	\$ (450,548)
NT	\$ (704,761)	\$ (704,761)
NTAC Revenue Requirement	\$ 9,387,741	\$ 10,009,770
BU/12 (MWh)	\$ 13,377,319	\$ 13,377,319
NTAC (per MWh)	\$ 0.70	\$ 0.75

2016 NTAC Monthly Impact on Customer Bills

	Residential	Commercial	Industrial
NTAC Effect (\$)	0.03	0.63	36.00
NTAC Effect (%)	.02-.04	.02-.03	.02-.05

Rate Components

$$\text{NTAC} = \{(\text{ATRR}/12) - \text{EA} - (\text{IR}/12) - \text{SR} - \text{CRN} - \text{WR} - \text{ECR} - \text{NT} - \text{NR}\}/(\text{BU}/12)$$

ATRR is Annual Transmission Revenue Requirement.

EA reflects revenues from Existing Agreements (grandfathered bi-lateral agreements with specific customers).

IR is the amount collected from SENY governmental customers for service provided through the grandfathered 600MW congestion pathway from Zones A and D (Niagara and St. Lawrence).

SR reflects revenues collected through the Centralized TCC Auction from sale of NYPA's Original Residual TCCs and Grandfathered TCCs.

CRN is day-ahead congestion rents in excess of those required to offset congestion paid by SENY governmental customers (see **IR**, above). CRN is invariably equal to zero, as the volumes are fully subscribed.

WR is revenue from external sales (wheels through and exports).

ECR is NYPA's share of net congestion rents, calculated pursuant to Attachment N of the OATT. It is "phase 1" of the statewide net congestion rent shortfall calculation.

NT in part reflects adjustments for the difference between "BU=12" and the actual (metered) monthly throughput. It also reflects re-bill adjustments from prior periods, "phase 2" of the Attachment N shortfall allocation and other one-off adjustments.

NR stands for "NYPA Reserved", and is not in use.

BU (Annual Billing Units) are New York State Loads and Loads associated with Wheels Through and Exports in megawatt-hours ("MWh").



Questions

Please contact us at attr@nypa.gov if you would like to join the “NYPA Exploder list” for further information about the ATRR and for notification of upcoming open meetings.