



May 14, 2018

Justin Atkins  
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The Honorable Kimberly D. Bose, Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

Re: *New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation*  
Docket Nos. EL18-103-000, EL18-110-000  
Compliance Filing Responding to Order to Show Cause

Dear Secretary Bose:

Pursuant to the Federal Energy Regulatory Commission's ("FERC" or "Commission") March 15, 2018 order in the above-referenced proceedings (the "Order"), New York State Electric & Gas Corporation ("NYSEG") and Rochester Gas and Electric Corporation ("RG&E," and collectively "the Companies"), each of which are subsidiaries of Avangrid, Inc. and Transmission Owners under the New York Independent System Operator, Inc.'s ("NYISO") Open Access Transmission Tariff (the "OATT"), hereby file proposed revisions to the revenue requirement of their respective wholesale transmission service charge ("TSC") on file with the Commission and set forth in Table 1 of Section 14.1.4 of Attachment H of the OATT to reflect the recent change in the federal corporate income tax rate from the Tax Cuts and Jobs Act of 2017 ("Tax Cuts and Jobs Act").<sup>1</sup> For the reasons set forth below, the Companies respectfully request that the Commission accept the proposed revisions to the Companies' wholesale TSCs under Attachment H of the NYISO OATT for filing effective as of January 1, 2018.<sup>2</sup>

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<sup>1</sup> Tax Cuts and Jobs Act, Pub. L. No. 115-97, 131 Stat. 2054 (2017). The NYISO submits this filing on behalf of the Companies solely in its role as Tariff Administrator. The burden of demonstrating that the proposed tariff amendments are just and reasonable rests with the Companies, the sponsoring parties. The NYISO takes no position on any substantive aspect of this filing at this time.

<sup>2</sup> Though the Refund Effective Date in these proceedings is March, 21, 2018, the date of publication by the Commission of its notice of intention to initiate the proceedings in the Federal Register, the Companies desire to provide the benefits of the Tax Cut and Jobs Act to customers upon its effective date, January 1, 2018.

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## I. PROCEDURAL BACKGROUND

On December 22, 2017, the President signed into law the Tax Cuts and Jobs Act. The Tax Cuts and Jobs Act modified the federal corporate income tax rate from a maximum 35 percent to a flat 21 percent rate, effective January 1, 2018. This tax rate reduction will result in lower income tax expense going forward on the books of certain rate-regulated companies, including NYSEG and RG&E. Accordingly, on March 15, 2018, the Commission ordered that, within 60 days of the Order, a number of companies, including NYSEG and RG&E, either (1) submit proposed revisions to their stated transmission rates to reflect the change in the federal corporate income tax rate and describe the methodology used for making those revisions, or (2) show cause why they should not be required to do so.

By this filing, the Companies are submitting proposed revisions to Section 14.1.4 of Attachment H of the NYISO OATT to revise their stated transmission rates to reflect the change in the federal corporate income tax rate in accordance with the Order.<sup>3</sup>

## II. COMPLIANCE FILING

NYSEG and RG&E's annual revenue requirement ("RR") and resulting transmission rates that currently appear in Table 1 of Section 14.1.4 of Attachment H to the NYISO OATT are as follows:

<b>Transmission Owner</b>	<b>Revenue Requirement ("RR")</b>	<b>Scheduling System Control and Dispatch Costs ("CCC")</b>	<b>Total TSC (RR +CCC)</b>	<b>Annual Billing Unites ("BU") (MWh)</b>	<b>Rate (\$/MWh)</b>
NYSEG	\$94,143,899	\$1,633,000	\$95,776,899	14,817,111	\$6.4639
RG&E	\$25,795,509	\$583,577	\$26,379,086	6,967,556	\$3.7860

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<sup>3</sup> The filing does not include the impacts of amortizing so-called Excess Accumulated Deferred Income Taxes, which treatment FERC is expected to determine in its Inquiry Regarding the Effect of the Tax Cuts and Jobs Act on Commission-Jurisdictional Rates, Docket RM18-12-000.



In response to the Order, the Companies propose the following changes to their respective annual revenue requirements and the resulting transmission rates:

Transmission Owner	RR	CCC	Total TSC (RR+CCC)	BU (MWh)	Rate (\$/MWh)
NYSEG	\$90,149,075	\$1,633,000	\$91,782,075	14,817,111	\$6.1943
RG&E	\$24,242,747	\$583,577	\$24,826,324	6,967,556	\$3.5631

NYSEG's current stated wholesale TSC was set by the Commission in Docket ER97-2353 (Opinion 447),<sup>4</sup> using data from a 1997 test year, and later amended in a settlement approved by the Commission in Docket No. EL04-56.<sup>5</sup> In order to reflect the impact of the change in the federal income tax rate, NYSEG changed the federal income tax rate included in the previously approved rate determination from 35% to 21%, as described and supported by the Affidavit of Dr. Dumais. *See* Attachment A. This results in a reduction of approximately \$4.0 million in the NYSEG annual transmission revenue requirement which, in turn, reduces NYSEG's transmission by \$0.2696 per MWh.

RG&E's current stated wholesale TSC was set by the Commission in Docket OA96-141, using data from a 1995 test year.<sup>6</sup> The rates approved by the Commission in that proceeding remain in effect today. In order to reflect the impact of the change in the federal income tax rate, RG&E changed the federal income tax rate included in the previously approved rate determination from 35% to 21%, as described and supported by the Affidavit of Dr. Dumais. *See* Attachment A. This results in a reduction of approximately \$1.6 million from RG&E's currently effective annual transmission revenue requirement, which, in turn, reduces RG&E's transmission rate by \$0.2229 per MWh.

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<sup>4</sup> *New York State Electric & Gas Corporation*, 92 FERC ¶ 61,169 (2000).

<sup>5</sup> *New York Municipal Power Agency v. New York State Electric & Gas Corporation*, 106 FERC ¶ 61,301 (2004); and Docket No. EL04-56-001, *New York Municipal Power Agency v. New York State Electric & Gas Corporation*, Letter Order (June 18, 2004).

<sup>6</sup> Docket No. OA96-141-000, *Rochester Gas and Electric Corporation*, Letter Order (June 25, 1997).



The revenue requirement changes herein do not reflect any impacts from the amortization of any excess (or deficient) accumulated deferred income taxes, which is the subject of a separate Commission proceeding in Docket No. RM18-12-000.<sup>7</sup>

### **III. CONTENTS OF THE FILING**

In addition to this transmittal letter, this filing consists of:

- Affidavit of Paul Dumais, Avangrid Networks Regulatory Strategy, and two exhibits detailing how these proposed revisions are in compliance with the Order (Attachment A).
- A clean version of the proposed revisions to Table 1 of Section 14.1.4 of Attachment H to the NYISO OATT (Attachment B); and
- A blacklined version of the proposed revisions to Table 1 of Section 14.1.4 of Attachment H to the NYISO OATT (Attachment C).

### **IV. REQUESTED EFFECTIVE DATE AND WAIVER**

Pursuant to Section 35.11 of the Commission's regulations,<sup>8</sup> the Companies hereby request waiver of the prior notice requirement set forth in Section 35.3(a)(1).<sup>9</sup> Good cause exists to grant this waiver. The Companies' proposed revisions will decrease the Companies' wholesale transmission rates and benefit the Companies' municipal and cooperative customers and customers exporting through the Companies' territories to PJM. The Companies requested January 1, 2018 effective date for the proposed revisions coincides with the effective date of the Tax Cuts and Jobs Act, thereby enabling the Companies' customers under the NYISO OATT to benefit from the reduction to the federal corporate income tax rate beginning on the first day that the Tax Cuts and Jobs Act went into effect.

To the extent necessary, the Companies request waiver of any Commission regulation or requirement not otherwise satisfied by this compliance filing in order to permit acceptance of the revisions to the Companies' wholesale TSCs, effective as requested.

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<sup>7</sup> *Inquiry Regarding the Effect of the Tax Cuts and Jobs Act on Commission-Jurisdictional Rates*, 162 FERC ¶ 61,223 (2018).

<sup>8</sup> 18 C.F.R. § 35.11.

<sup>9</sup> *Id.* § 35.3(a)(1).

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## **V. SERVICE**

The Companies have served a copy of this filing, including attachments, to the NYISO, the New York State Public Service Commission and the New York Association of Public Power.

## **VI. COMMUNICATIONS**

All communications and service related to this filing should be directed to:

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## **VII. CONCLUSION**

For the foregoing reasons, the Companies respectfully request that the Commission accept the proposed revisions to Table 1 of Section 14.1.4 of Attachment H of the NYISO OATT as fully compliant with the Order without modification or condition, effective January 1, 2018.

Respectfully submitted,

/s/ Justin Atkins  
Justin Atkins

*Counsel to New York State Electric & Gas  
Corporation and Rochester Gas and Electric  
Corporation*