

Attachment V

May 1, 2017

The Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20246

Re: *Statement of Support Prepared by TC Ravenswood, LLC*

Dear Secretary Bose:

TC Ravenswood, LLC (“TC Ravenswood”) supports the New York Independent System Operator, Inc.’s (“NYISO’s”) submission of the proposed Implementation Agreement under Section 4.1.9.3 of the NYISO Market Administration and Control Area Services Tariff (“Services Tariff”) and requests that the Commission issue an order accepting the proposed Implementation Agreement with an effective date of May 1, 2017. The Implementation Agreement is signed by TC Ravenswood and the NYISO and supported by Consolidated Edison Company of New York, Inc (“Con Edison”), as the Transmission Owner designated by the New York State Reliability Council’s Local Reliability Rule I-R3 (Loss of Generator Gas Supply - New York City) (“Rule I-R3”). The Implementation Agreement allows TC Ravenswood to sell, and recover its costs to reliably generate electric energy using fuel oil in lieu of natural gas in furtherance of New York State Reliability Council’s Local Reliability Rule I-R3 (Loss of Generator Gas Supply - New York City) (“Fuel Oil Burn for I-R3”) in an efficient manner by comingling Fuel Oil activities. As described below, TC Ravenswood’s current agreement to provide services expired on April 30, 2017.

I. BACKGROUND

TC Ravenswood’s Generating Station includes, *inter alia*, three large steam units (Units 10, 20 and 30 (collectively “Units” or individually “Unit”)) with a combined capacity of approximately 1,780 MW, that are capable of burning either natural gas or fuel oil. Because of that dual fuel capability, TC Ravenswood’s large steam units have the ability to burn fuel oil in furtherance of Rule I-R3. Rule I-R3 requires that certain In-City generators, including TC Ravenswood, switch from burning natural gas in their boilers to burning a mix of natural gas and a specified minimum level of fuel oil, upon notice from Con Edison, in order to avoid the loss of electric load on account of the loss of a gas facility. Rule I-R3 protects the reliability of the electric power system that could result from rapid pressure loss following a natural gas pipeline

break. The choice of generators required to respond to Rule I-R3 is specific to physical system limitations, including proximity of generators to specific gas pipelines. As a result, the NYISO and Con Edison from time-to-time request TC Ravenswood to burn fuel oil in furtherance of Rule I-R3, and TC Ravenswood currently provides such services pursuant to an Offer of Settlement, described below.

On October 20, 2014, TC Ravenswood, the NYISO, Con Edison, the City of New York, New York Power Authority (“NYPA”), and the New York State Public Service Commission submitted an Offer of Settlement in Docket Nos. ER14-1711 and ER14-1822. The Offer of Settlement provided the terms and conditions under which TC Ravenswood would be compensated by the NYISO for transporting, maintaining, storing and handling fuel oil, *i.e.*, providing Fuel Oil Burn (as defined in the Offer of Settlement) for Rule I-R3 during a three-year period beginning May 1, 2014 and ending April 30, 2017. By Letter Order, the Commission approved the Offer of Settlement on December 5, 2014.¹

TC Ravenswood has been negotiating with the NYISO and Con Edison which, under the Services Tariff, plays a consulting role, to enter into a new agreement for provision of such services after the termination of the Offer of Settlement on April 30, 2017. The negotiations have taken place as recently as last week. This filing reflects the terms the parties have agreed to. The terms and conditions are essentially the same as the Offer of Settlement, however, costs are updated to reflect the current costs of leasing storage tanks, leasing barges and other expenses. In addition, the Implementation Agreement establishes a ratemaking mechanism (described below) to recover costs associated with converting the Ravenswood site from burning #6 Fuel Oil to #4 and/or #2 fuel oil.²

II. DESCRIPTION OF THE IMPLEMENTATION AGREEMENT

The Implementation Agreement will permit TC Ravenswood to sell, and recover its costs to generate electric energy using fuel oil in lieu of natural gas in furtherance of Rule I-R3. Currently, TC Ravenswood burns No. 6 fuel oil. However, in January 2020, TC Ravenswood will no longer be permitted to burn No. 6 Fuel Oil. Therefore, TC Ravenswood may burn No. 4 and/or No. 2 Fuel Oil in the future.

¹ *TC Ravenswood, LLC*, 149 FERC ¶ 61,203 (2014).

² *See* NYC Local Law No. 38. In January 2020, TC Ravenswood will no longer be permitted to burn No. 6 fuel oil. Accordingly, if it will continue to burn fuel oil beyond May 2020 for any purpose, capital investments must be made to convert its storage, infrastructure and the Units fuel oil burn capabilities so that the units can burn either No. 2 or No. 4 Fuel Oil. Planning for and making these investments must occur during the next three years in order to be operational by January 2020. Planning and engineering is underway but the complete scope of work is not yet identified. The Implementation Agreement proposed sets forth a mechanism for TC Ravenswood to recover an agreed upon percentage of prudently incurred costs incurred during the term of the Implementation Agreement.

TC Ravenswood will burn fuel oil for I-R3 needs, unless such service would cause TC Ravenswood's Units or any particular Unit to violate the emissions limitations contained in their current permits. In the event TC Ravenswood forecasts that one or more of its Units is likely to violate the emissions limitations contained in their current permits, TC Ravenswood will confidentially notify the NYISO and Con Edison and remind them of their obligation not to disclose any of the information TC Ravenswood provides in such confidential notifications and communications to any "marketing function employee" as that term is defined in 18 C.F.R. §358.3,. In addition, TC Ravenswood will make a good faith effort to obtain a waiver from the United States Environmental Protection Agency from these limits for the applicable unit(s). Under these circumstances, TC Ravenswood will not provide service under the Implementation Agreement until an applicable waiver request is granted that fully relieves TC Ravenswood from its emission limitations for the applicable Unit(s) or TC Ravenswood no longer is forecasting that additional use of Fuel Oil will result in the Unit(s) violating the emissions limitations contained in the current permits. The provision of service from this Implementation Agreement does not require TC Ravenswood to invest in any improvements, changes or upgrades to its Units to reduce emissions further than current air permit limits, other than required to prudently convert its facility from #6 Fuel Oil to #4 and/or #2 Fuel Oil.

In order to efficiently provide services under the Implementation Agreement and satisfy TC Ravenswood's fuel oil procurement, storage, handling, and delivery obligations for all fuel oil use, TC Ravenswood and TC Ravenswood Services LLC³ will co-mingle the use of their fuel oil storage and delivery facilities as well as Operation and Maintenance activities and administrative services with the use of other fuel oil customers⁴ served from the Ravenswood site ("co-mingling"). Accordingly, TC Ravenswood will provide service under the Implementation Agreement using a portion of the following oil storage and delivery facilities: (i) two (2) off-site storage tanks (which equates to approximately 350,000 barrels of working storage); (ii) one (1) large (approximately 40,000 barrel) annual time chartered barge; and the Lemon Creek barge; and (iii) TC Ravenswood's existing onsite storage at its Ravenswood facility, subject to the minimum reserve quantity required by the existing agreement between TC Ravenswood and Con Edison Steam. With the exception of the Lemon Creek Barge, these costs are split evenly among the three fuel oil customers. The Lemon Creek barge has some capacity exclusively reserved for Con Edison Steam and reserves for reliability. Accordingly, Con Edison Steam pays 58%, Minimum Oil Burn pays 32% and TC Ravenswood pays 10%. The off-site storage tank leases require the lessor to pay for tank cleaning at the end of the lease and when required inspections are due. It is expected that at a minimum one of the tanks requires an inspection cleaning during its lease term and each tank must be cleaned at the end of its lease. Estimated costs are included in the tank lease fixed costs and spread out over a three year period. Actual costs will be subject to a true-up at the end of a three year period as outlined below. These cleaning costs are split evenly among the three fuel oil customers. TC Ravenswood will bear the costs of the cleaning for tank 8563 that is anticipated to occur in May 2017 and will not

³ On April 25, 2017, TC Ravenswood Services Corp. merged with and into TC Ravenswood Services LLC as part of a company reorganization. TC Ravenswood Services LLC is the successor to TC Ravenswood Services Corp.

⁴ Fuel Oil for Minimum Oil Burn, Con Edison Steam and Ravenswood usage is co-mingled as is the case in the current agreement.

be recovered by TC Ravenswood pursuant to this Implementation Agreement. In addition, TC Ravenswood will provide certain associated acquisition and transport administrative services. These costs are split 50% to Con Edison Steam, 20% to Minimum Oil Burn and 30% to TC Ravenswood based on the last three years of historic fuel oil usage.

As noted above, beginning in January 2020, TC Ravenswood will no longer be permitted to burn No. 6 Fuel Oil. Accordingly, if it will continue to burn fuel oil in 2020 and beyond for any purpose, capital investments must be made to convert its storage, infrastructure and the Units fuel oil burn capabilities. Planning for and making these investments must occur during the next three years in order to be operational by January 2020. Planning and engineering is underway but the complete scope of work is not yet identified. TC Ravenswood will establish two capital work orders, one for the fuel oil storage and infrastructure investments and one for the investments in the Units. Capital costs associated with the two projects will be charged to these work orders. Costs will include those traditional utility costs including engineering, design, materials, project management, construction management, in-house labor, contractors, and AFUDC. No maintenance work or costs will be included in the work orders. Upon completion of the projects, and before TC Ravenswood will be permitted to recover any costs, TC Ravenswood will: (1) file the costs it proposes to recover with FERC for determinations that the costs were prudently incurred and should be recovered by TC Ravenswood; and (2) file a proposed rate design for FERC's approval. Under the Implementation Agreement the NYISO will pay one-third (1/3) of the FERC approved fuel oil storage and infrastructure investments and one-half (1/2) of the FERC approved investments in the Units, all in accordance with the rate design ultimately approved by FERC. Con Edison Steam will pay one-third (1/3) of the FERC approved fuel oil storage and infrastructure investments and none of the FERC approved investments in the Units because those facilities will not serve Con Edison Steam. TC Ravenswood will pay one-third (1/3) of the FERC approved fuel oil storage and infrastructure investments and one-half (1/2) of the FERC approved investments in the Units. This cost sharing arrangement aligns with past cost sharing for various lease costs.

Prior to TC Ravenswood making the required filing with FERC, TC Ravenswood, Con Edison, and the NYISO will engage in good faith negotiations over a period of at least three months to: (1) determine which costs are prudently incurred costs that should be included in TC Ravenswood's filing; and (2) develop a mutually acceptable rate design. If the parties reach agreement on these issues, TC Ravenswood will so note in its filing. If the parties are unable to reach agreement on either or both issues, the NYISO and its customers may protest TC Ravenswood's filing and raise any challenges they deem appropriate.

TC Ravenswood will be paid by the NYISO for Demand Charges, Premium Costs and Operation and Maintenance ("O&M") Costs as set forth below in furtherance of its provision of service under the Implementation Agreement.

The term Demand Charges as used herein refers to a charge that will enable TC Ravenswood to recover costs for transporting, maintaining, storing, and handling fuel oil to provide comingled service under the Implementation Agreement that TC Ravenswood incurs regardless of the amount of service it provides. The NYISO will pay TC Ravenswood the Demand Charges regardless of: (i) whether fuel oil has been burned in furtherance of Rule I-R3; (ii) the relative cost of the fuel oil compared to natural gas reflected in the reference levels for

TC Ravenswood's generating units; and (iii) any revisions to the Services Tariff or Rule I-R3 that occur after the date this Offer of Settlement is executed.

One of the tanks is being leased for three years and it has a flat rate for the three year term. The other tank is being leased for one year to provide an opportunity to eliminate it and its costs from the Implementation Agreement. Years 2 and 3 include the current cost of that tank in the demand charge. If the tank is not leased or the lease costs increases in years two and three, the revised cost (decrease or increase) will be factored into the Demand Charge.

Tank cleaning costs will be subject to a true-up. To obtain a true-up of the invoiced tank cleaning costs, TC Ravenswood will provide to the NYISO all tank cleaning invoices annually by the 15th of the month following the receipt of the invoice. Should the invoiced amounts paid by TC Ravenswood for tank cleaning exceed the estimated cost included in the Demand Charge, by more than \$25,000, the NYISO will reimburse TC Ravenswood for the total excess of the invoiced amounts. Should the amounts paid to TC Ravenswood for tank cleaning exceed the estimated cost included in the Demand Charge, by more than \$25,000, TC Ravenswood will reimburse the NYISO for the total excess. True-up payments to or from TC Ravenswood, if any, for Tank Cleaning will be included on the NYISO invoices to TC Ravenswood for the month of July 2020.

One of the barges that is being leased for three years has a flat rate calculated in the Demand Charge. The other barge is also being leased for three years; however, its costs will escalate during the term.

Also included in the demand charge are estimated costs for administrative, trading and transactional labor, plant labor specifically for operating the fuel oil facilities, variable heating and booming costs for the off-site tanks, variable operating costs for the barges, taxes, inventory carrying costs and fuel oil testing.

In addition to the Demand Charge, for every barrel of fuel oil burned in furtherance of Rule I-R3 that is eligible for commodity cost compensation in accordance with Section 4.1.9.2 of the Services Tariff, the NYISO will pay TC Ravenswood a premium of \$0.75 per barrel, which will not be subject to escalation, over the commodity cost eligible for compensation in accordance with Section 4.1.9.2 of the Services Tariff ("Premium Cost"). TC Ravenswood will provide Con Edison written notification within one business day when it incurs a premium equal to, or greater than, \$0.75 per barrel of Fuel Oil. Premium Cost payments are subject to a true-up provided that the invoiced premiums are separately shown on TC Ravenswood's fuel oil invoices. To obtain a true-up of the invoiced premiums to the Premium Cost payments, TC Ravenswood will provide to the NYISO all Fuel Oil invoices for each year by June 15th of that year. Should the invoiced premiums paid by TC Ravenswood for Fuel Oil burned in furtherance of I-R3 exceed the Premium Cost payment made by more than \$25,000, the NYISO will reimburse TC Ravenswood for the total excess of the invoiced premiums over the Premium Cost payment made. Should the Premium Cost payment made exceed the invoiced premiums paid by TC Ravenswood for Fuel Oil burned in furtherance of I-R3 by more than \$25,000, TC Ravenswood will reimburse the NYISO for the total excess of the Premium Costs paid over the invoiced premiums. True-up payments to or from TC Ravenswood, if any, for Premium Costs

will be included on the NYISO invoices to TC Ravenswood for the months of July 2018, July 2019 and July 2020 respectively.

Also, for every barrel of fuel oil burned in furtherance of Rule I-R3 that is eligible for commodity cost compensation in accordance with Section 4.1.9.2 of the Services Tariff, the NYISO will also pay TC Ravenswood a per barrel O&M Cost for Fuel Oil Burn for IR-3 associated with the use of the on-site tanks and equipment at the TC Ravenswood Generating Station. This cost remains flat over the term of the Implementation Agreement.

To provide optionality, to the extent that TC Ravenswood determines that it needs to obtain a spot barge to provide Fuel Oil Burn for I-R3 beyond those initially designated in this Implementation Agreement, TC Ravenswood will inform NYISO, Con Edison Steam and Con Edison, as the Transmission Owner designated by Rule I-R3, of the need and its attempt to obtain the spot barge, and negotiate the cost of the spot barge which includes the costs of heating, tugging, booming, testing and inspections to the extent they can be procured (hereinafter referred to as "Supplemental Costs"). If such spot barge is obtained, TC Ravenswood will bear one-third (1/3) of such Supplemental Costs and the NYISO will pay to TC Ravenswood and recover two-thirds (2/3) of such Supplemental Costs as a cost for Fuel Oil Burn for I-R3 pursuant to Section 6.1.7 of the OATT unless Con Edison Steam determines that it needs Fuel Oil that would be procured. If Con Edison Steam determines that it does need additional Fuel Oil, and it provides written notice to TC Ravenswood of such determination no later than five business days following notice from TC Ravenswood that it needs to obtain a spot barge to provide Fuel Oil Burn for I-R3, the NYISO will pay to TC Ravenswood and recover one-third (1/3) of such Supplemental Costs as a cost for Fuel Oil Burn for I-R3 pursuant to Section 6.1.7 of the OATT; Con Edison Steam will bear one-third (1/3) of such Supplemental Costs; and TC Ravenswood will bear one-third (1/3) of such Supplemental Costs.

The NYISO will pay TC Ravenswood the Demand Charge for each year in five equal amounts using the NYISO's normal billing cycle for the months of May through September, provided however, payment and appropriate interest, for May 2017 will be made on the first initial invoice issued following a Commission Order accepting this Implementation Agreement; depending on when a Commission Order accepting the Implementation Agreement is issued, as necessary, payment for June 2017 and appropriate interest, will be made on the second initial invoice issued following a Commission Order accepting this Implementation Agreement and payment for July, 2017 and appropriate interest, will be made on the third initial invoice issued following a Commission Order accepting this Implementation Agreement.

The per barrel Premium Cost and O&M Cost will be paid by the NYISO in the billing cycle immediately after the cycle in which costs were incurred and billed to the NYISO, provided however, payment and interest, if any, of a per barrel Premium Cost or O&M Cost for fuel oil burn in May, June or July, 2017 will be made with interest and on the invoices specified above. The NYISO will pay TC Ravenswood all Supplemental Costs for which the NYISO is responsible in the billing cycle immediately after the cycle in which such costs were incurred and billed to the NYISO. The components comprising the Demand Charge, and the determination of the on-site O&M Costs, reflect estimated costs. In the event TC Ravenswood's actual costs making up the Demand Charges and O&M Costs differ from the estimates, there will be no true-up for these costs in either direction, other than those specifically noted for tank cleaning and the

second off-site tank lease. Thus, TC Ravenswood will not be entitled to impose a surcharge, and neither any party nor any market participant will be entitled to a refund with respect to the Demand Charges and O&M Costs.

Interest will be calculated in accordance with 18 CFR § 35.19a, from the disbursement date of the first monthly invoice after service was rendered to the disbursement of payment as specified in the NYISO's normal billing cycle, provided, however, interest on the payments for May, June and July 2017 will be due from the disbursement date of the May, June and July 2017 initial monthly invoices, respectively, to the disbursement date of the monthly invoice on which the amounts to be paid for May, June and July 2017 appear.

III. COMMUNICATIONS

All correspondence, communications, pleadings and other documents related to this proceeding should be addressed to the following individuals:

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TC Ravenswood respectfully requests that the individuals identified above with an asterisk be placed on the Commission's official service list in this proceeding and be designated for service pursuant to Rule 2010.

IV. DESCRIPTION OF TC RAVENSWOOD

TC Ravenswood is a limited liability company organized under the laws of the State of New York and has its principal place of business at 110 Turnpike Road, Westborough, MA, 01581. TC Ravenswood owns and/or leases and operates electric generation facilities in New York and sells energy, capacity, and ancillary services in the wholesale electricity market

pursuant to market-based rate authority.⁵ TC Ravenswood does not own any subsidiaries and has not issued any securities to the public. On August 26, 2008, TransCanada Corporation acquired TC Ravenswood via its subsidiary TransCanada Facility USA, Inc. TC Ravenswood thus is a direct, wholly-owned subsidiary of TransCanada Facility USA, Inc., and an indirect, wholly-owned subsidiary of TransCanada Energy USA, Inc., TransCanada PipeLines Limited, and TransCanada Corporation, a publicly traded Canadian corporation. TransCanada PipeLines Limited is a Canadian public company incorporated in 1951 by a Special Act of Parliament of Canada and continued on June 1, 1979 under the Canada Business Corporations Act.

TC Ravenswood owns and/or operates the Ravenswood Generating Station (“Ravenswood”), located in Queens, New York. Ravenswood is an approximately 2,480 MW power plant that can serve approximately 21 percent of New York City’s peak load. Ravenswood consists of 21 units employing steam turbine, combined cycle and combustion turbine technology. The three large steam units (units 10, 20 and 30) employ dual-fueled (natural gas and No. 6 fuel oil) boilers and are the units to which this Implementation Agreement applies. At certain forecasted load levels as well as during other constraints and reliability issues, TC Ravenswood is ordered to burn Fuel Oil in these units, whether or not it would be more economical to burn natural gas.

V. CONCLUSION

WHEREFORE, as described herein, TC Ravenswood respectfully requests that the Commission issue an accepting the proposed Implementation Agreement without modification or condition, thereby making the rates, terms and conditions of the Implementation Agreement effective May 1, 2017.

⁵ *Niagara Mohawk Power Corp.*, 123 FERC ¶ 61,241 (2008); Letter Order, *TC Ravenswood, LLC*, Docket No. ER08-1562-000 (issued Nov. 10, 2008) (accepting revised market-based rate tariff reflecting name change).

Respectfully submitted,

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