

## Attachment B

Exhibit No. NYSEG-001

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

New York State Electric and Gas Corporation

Docket No. ER23-\_\_\_\_-000

**DIRECT TESTIMONY OF DR. PAUL A. DUMAIS  
On Behalf of New York State Electric and Gas Corporation**

**May 3, 2023**

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Exhibit No. NYSEG-001 – Direct Testimony of Dr. Paul A. Dumais

Exhibit No. NYSEG-002 – Resume of Dr. Paul A. Dumais

Exhibit No. NYSEG-003 – Transmission Formula Rate Template

Exhibit No. NYSEG-004 – Transmission Formula Rate Protocols

**I. INTRODUCTION**

**Q. Please state your name, position, and business address.**

A. My name is Dr. Paul A. Dumais. I am the CEO of Dumais Consulting LLC, with an address of 38578 Kilgore Court, Waterford, Virginia, 20197.

**Q. On whose behalf are you testifying in this proceeding?**

A. I am testifying on behalf of New York State Electric and Gas Corporation (“NYSEG”).

**Q. Describe your professional and educational background.**

A. I have over 40 years of experience in the electric and natural gas industries in the areas of regulatory strategy, regulatory policy, and ratemaking, including revenue requirements (cost of service), cost allocation and rate design. Through Dumais Consulting LLC, I provide Federal Energy Regulatory Commission (“FERC” or “Commission”)-related ratemaking services, including electric transmission formula rates, ancillary services revenue requirements (including reactive power) and natural gas and electricity cost of service, cost allocation and rate design. I have recently assisted a FERC-jurisdictional transmission owner in moving from a stated transmission rate to a transmission formula rate, including developing the formula rate and protocols, and provided testimony to the Commission in support of the proposed formula rate and protocols, which were accepted by the Commission. I consult regularly with several other transmission owners on their formula rates, including income tax considerations. I have substantial experience in New York transmission ratemaking through my involvement both with New York Transco, LLC in the

1 past and with a large transmission owner currently. Prior to forming Dumais  
2 Consulting in September 2018, I was employed by Avangrid Networks and its  
3 predecessor companies in the northeast United States in senior level positions.  
4 In this capacity, I generally focused on asset management and capital budgeting,  
5 large customer service and state and federal regulatory and ratemaking matters,  
6 including FERC regulatory strategy and policy, transmission formula rates,  
7 interconnections, and regional transmission organization stakeholder  
8 participation. I was Vice President of Regulatory for New York Transco while  
9 serving as Avangrid's representative to this New York transmission owner joint  
10 venture. I received a Bachelor of Science Degree in Business Administration  
11 with an emphasis in Accounting from the University of Maine in Augusta in  
12 1982. I received a Master of Science Degree in Business Administration from  
13 the University of Southern Maine in 1986. Lastly, I was awarded a Doctorate  
14 Degree in Strategic Leadership from Regent University in 2013.

15 **Q. Have you submitted expert testimony in the past to FERC or to any other**  
16 **regulatory bodies?**

17 A. Yes, I have. I provide my FERC and state testimony experience as part of my  
18 resume contained in Exhibit No. NYSEG-002.

19

## 20 **II. PURPOSE AND SCOPE OF TESTIMONY**

21 **Q. What is the purpose of your testimony in this proceeding?**

22 A. The purpose of my testimony is to present a transmission formula rate and  
23 protocols by which NYSEG will recover the costs of local transmission

1 upgrades determined by the New York State Public Service Commission  
2 (“NYPSC”) to be necessary to meet New York State climate and renewable  
3 energy goals as required by New York State law (referred to as “CLCPA  
4 Eligible Projects”, “Approved Local Transmission Upgrades” or “Schedule 19  
5 Projects”).

6 **Q. Are you sponsoring any exhibits in addition to this testimony?**

7 A. Yes. I am sponsoring the following exhibits:

8 Exhibit No. NYSEG-001 – Direct Testimony of Dr. Paul A. Dumais

9 Exhibit No. NYSEG-002 – Resume of Dr. Paul A. Dumais

10 Exhibit No. NYSEG-003 – Transmission Formula Rate Template

11 Exhibit No. NYSEG-004 – Transmission Formula Rate Protocols

12 **Q. Please describe NYSEG.**

13 A. NYSEG is a New York corporation and franchised electric and natural gas  
14 public utility regulated by both the Commission and the NYPSC. NYSEG is  
15 engaged in, among other things, the business of purchasing, transmitting,  
16 generating, distributing, and selling electric power and natural gas. NYSEG  
17 currently owns approximately 65 MW of generation, consisting primarily of  
18 hydroelectric facilities. NYSEG is a Transmission Owner in the New York  
19 Control Area under the terms of the Independent System Operator –  
20 Transmission Owner Agreement by and among the Member Systems<sup>1</sup> (as such  
21 term is defined in Section 1.13 of the New York Independent System Operator,

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<sup>1</sup> The Member Systems are also referred to herein as the “New York Transmission Owners.”

1 Inc. [“NYISO”] Open Access Transmission Tariff [“OATT”]) and the NYISO.  
2 NYSEG’s transmission system is under the operational control of the NYISO.  
3 NYSEG provides transmission service and collects wholesale transmission  
4 charges pursuant to a stated rate contained in the NYISO OATT.<sup>2</sup> NYSEG is a  
5 wholly owned indirect subsidiary of Avangrid Networks, Inc. (“Avangrid  
6 Networks”).<sup>3</sup> NYSEG is a participant in the NYISO’s electricity markets and  
7 holds market-based rate tariff authority under the Federal Power Act.

8 **Q. How is your testimony organized?**

9 A. I first present background information that forms the context of this NYSEG  
10 filing. I then present the template by which NYSEG proposes to recover the  
11 revenue requirements for Approved Local Transmission Upgrades (“Formula  
12 Rate Template”). Lastly, I present the formula rate implementation protocols  
13 by which stakeholders can engage and review the annual formula rate  
14 informational filing and annual updates to be made by NYSEG (“Formula Rate  
15 Protocols”). The Formula Rate Template and the Formula Rate Protocols, are  
16 collectively referred to herein as the “Formula Rate.”  
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<sup>2</sup> In this filing, NYSEG is not proposing changes to its stated, wholesale transmission rate applicable to its Transmission Service Charge pursuant to Attachment H of the NYISO OATT.

<sup>3</sup> NYSEG has market regulated affiliates that develop, own and operate renewable energy generation facilities in New York, that are planned and located entirely outside of NYSEG’s Transmission Districts and do not directly interconnect to NYSEG’s transmission system.

1                                   **III. BACKGROUND INFORMATION**

2   **Q.     Describe the law or laws that were enacted in New York concerning**  
3           **renewable energy requirements that will result in Approved Local**  
4           **Transmission Upgrades.**

5   A.     The State of New York has enacted climate legislation in the Climate  
6           Leadership and Community Protection Act (“CLCPA”). Among other things,  
7           the CLCPA requires 70 percent of all of New York’s electricity to come from  
8           renewable sources by 2030, a 100 percent reduction in greenhouse gas  
9           emissions from the electricity sector by 2040, and 9,000 MW of offshore wind  
10          generation (“OSW”) by 2035. The state also has enacted the Accelerated  
11          Renewable Energy Growth and Community Benefit Act (“Accelerated  
12          Renewables Act”) recognizing that certain of the New York Transmission  
13          Owners’<sup>4</sup> (“Certain NYTOs”) local transmission and distribution systems play  
14          a key role in the CLCPA-mandated renewable energy transition. The  
15          Accelerated Renewables Act requires the NYPSC to establish distribution and  
16          local transmission capital plans for each utility in whose service territory the  
17          NYPSC’s power grid study identified distribution upgrades and local  
18          transmission upgrades that are necessary or appropriate to achieve New York’s  
19          climate mandates. Likewise, the Accelerated Renewables Act requires that the

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<sup>4</sup> The New York Transmission Owners (“NYTOs”) subject to local transmission and distribution mandates under the Accelerated Renewables Act include Central Hudson Gas & Electric Corporation (“Central Hudson”), Consolidated Edison of New York, Inc. (“Con Edison”), Long Island Power Authority (“LIPA”), NYSEG, Niagara Mohawk Power Corporation d/b/a National Grid (“National Grid”), Orange and Rockland Utilities, Inc. (“O&R”), and Rochester Gas and Electric Corporation (“RG&E”).

1 Certain NYTOs make local transmission upgrades in accordance with a  
2 schedule approved by the NYPSC or, in the case of LIPA, the LIPA Board of  
3 Trustees.<sup>5</sup>

4 **Q. Has the NYPSC established these distribution and local transmission**  
5 **capital plans for each utility?**

6 A. The NYPSC is in the process of doing this. To date, it has identified areas on  
7 the transmission and distribution networks in New York that may be in critical  
8 need of local investment because existing renewable generation in these areas  
9 is experiencing curtailments today or that strong renewable generation  
10 developer interest in those areas exceeds the capability of the local transmission  
11 system. The NYPSC directed some of the NYTOs to submit new or revised  
12 solutions to address these areas. In accordance with that directive, on March 8,  
13 2022, Central Hudson, NYSEG, National Grid, and RG&E filed a petition with  
14 the NYPSC seeking approval for certain local transmission projects designed  
15 efficiently and cost effectively to address those local transmission needs  
16 (“Areas of Concern Petition”). In this petition, NYSEG and RG&E proposed  
17 two potential buildout options for the “Southern Tier Area of Concern” for the  
18 NYPSC’s consideration. These two options primarily consist of upgrades to the  
19 existing local transmission system and are mostly in NYSEG’s service territory  
20 but include some potential RG&E investment. These local transmission project  
21 requests were subject to review under a public hearing process before the

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<sup>5</sup> The New York Power Authority (“NYPA”) does not own any local transmission or distribution facilities, so the NYPSC will not be approving any local transmission upgrades for NYPA.

1 NYPSC. By Order dated February 16, 2023, the NYPSC approved the  
2 development of these projects.<sup>6</sup> NYSEG will recover the related revenue  
3 requirements pursuant to Rate Schedule 19 of the NYISO OATT using the  
4 Formula Rate Template and Formula Rate Protocols proposed in this  
5 proceeding and addressed herein.

6 Additionally, the NYPSC has ordered Certain NYTOs, by January 1, 2023, and  
7 on regular basis thereafter,<sup>7</sup> to jointly seek approval of a coordinated portfolio  
8 of additional local transmission projects to address CLCPA renewable energy  
9 targets. NYSEG will include future, local transmission investments approved  
10 by the NYPSC to satisfy CLCPA requirements in the NYSEG Formula Rate.

11 **Q. Please describe how the revenue requirements of these Schedule 19**  
12 **Projects/Approved Local Transmission Upgrades are to be recovered**  
13 **from customers.**

14 A. By Order dated September 9, 2021,<sup>8</sup> the NYSPC requested that Central  
15 Hudson, Con Edison, NYSEG, National Grid, NYSEG, O&R and RG&E  
16 (each an “Eligible Transmission Owner”) develop and propose for its review,  
17 prior to submission to FERC, a mechanism under the NYISO OATT to  
18 allocate and recover from all beneficiaries across the state the costs of CLCPA  
19 Eligible Projects. On January 7, 2022, Central Hudson, Con Edison, NYSEG,

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<sup>6</sup> State of New York Public Service Commission, Case 20-E-0197, Proceeding on Motion of the Commission to Implement Transmission Planning Pursuant to the Accelerated Renewable Energy Growth and Community Benefit Act, Order Approving Phase 2 Areas of Concern Transmission Upgrades, February 16, 2023.

<sup>7</sup> State of New York Public Service Commission, Case 20-E-0197, Order dated September 9, 2021 at P. 49.

<sup>8</sup> *Id.* P 48-49.

1 National Grid, O&R and RG&E , having consulted with LIPA, the NYISO  
2 and the NYPSC Staff, proposed the use of a voluntary participant funding  
3 agreement among the NYTOs to be accepted by the NYPSC prior to  
4 submission to FERC. They further proposed that the costs be funded by the  
5 Eligible Transmission Owners and allocated statewide based on load-ratio  
6 share, consistent with how the costs of the renewable energy supplies required  
7 under the CLCPA are allocated. Because both the renewable energy supplies  
8 required by state law, and the CLCPA Eligible Projects that integrate and  
9 deliver them have the same statewide beneficiaries, it follows that they should  
10 have the same statewide cost allocation. Upon review, the NYPSC held this  
11 approach to be appropriate, and by Order dated May 12, 2022, accepted the  
12 proposed participant funding agreement (called the “Cost Sharing and  
13 Recovery Agreement” or “CSRA”) and cost allocation mechanism (described  
14 in new Rate Schedule 19 - Section 6.19 of the NYISO OATT).

15 **Q. Has the Commission accepted the CSRA and Rate Schedule 19 under**  
16 **Section 205 of the Federal Power Act?**

17 A. Yes. On August 19, 2022, the Commission issued an “Order Accepting  
18 Proposed Cost Sharing and Recovery Agreement, Rate Schedule, Tariff  
19 Revisions and Certificates of Concurrence” accepting the CSRA, Rate  
20 Schedule 19 and certain conforming amendments to the NYISO OATT.<sup>9</sup>

21 **Q. Describe Rate Schedule 19.**

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<sup>9</sup> See *Consolidated Edison Co. of New York, Inc., et al.*, 180 FERC ¶ 61,106 (2022).

1     A.     Rate Schedule 19 of the NYISO OATT establishes a CLCPA Facilities  
2           Charge (“CFC Charge”) and a LIPA CFC Charge as part of the NYISO billing  
3           and settlement process and provides for the recovery of costs of each  
4           transmission project eligible for cost recovery under the CSRA. Rate  
5           Schedule 19 establishes that the costs of each eligible project shall be  
6           allocated on a load ratio share basis, calculated volumetrically based upon  
7           Actual Energy Withdrawals by Load Serving Entities, excluding Withdrawal  
8           Billing Units for Exports and Wheel Through. It establishes that the NYISO  
9           will calculate the CFC Charge for CLCPA Eligible Projects of each NYTO by  
10          starting with each NYTO’s applicable annual transmission revenue  
11          requirement (“ATRR”) and adjusting for settlements related to any  
12          Incremental Transmission Congestion Contracts (“Incremental TCCs”)  
13          associated with the CLCPA Eligible Projects, including any outage charges  
14          for the Incremental TCCs. It will allocate the result on a load ratio share basis  
15          to LSEs in New York.

16    **Q.     What additional approvals are needed from FERC for NYSEG to recover**  
17       **costs under Rate Schedule 19?**

18    A.     Under Rate Schedule 19 of the NYISO OATT, the CFC Charge is a cost-of-  
19           service charge derived from formula rates. The purpose of this filing is to  
20           receive FERC’s acceptance under Section 205 of the Formula Rate and related  
21           implementation protocols that NYSEG will use to determine its ATRR to be  
22           used by the NYISO to determine NYSEG’s CFC Charges under Rate  
23           Schedule 19. NYSEG’s Formula Rate and related implementation protocols

1 are proposed to be added as Attachment 1 to Rate Schedule 19 (Section  
2 6.19.6) of the NYISO OATT.

3 **Q. What is the status of the Southern Tier Area of Concern Projects?**

4 A. NYSEG has begun project development for these projects which is now  
5 ramping up given the NYPSC's affirmative determination in its February 16,  
6 2023 order.

7 **Q. Did the February 16<sup>th</sup> Order from the NYPSC contain a specified return**  
8 **on equity and capital structure for NYSEG to use in the proposed**  
9 **Formula Rate?**

10 A. It referred to the CSRA which obligates NYSEG to utilize the NYPSC  
11 authorized return on equity and capital structure in its Formula Rate. I discuss  
12 how the Formula Rate accommodates the NYPSC return on equity and capital  
13 structure later in my testimony.

14

15 **IV. TRANSMISSION FORMULA RATE TEMPLATE**

16 **Q. Describe NYSEG's proposed transmission Formula Rate by which it**  
17 **would recover the revenue requirement of Schedule 19 Projects.**

18 A. I present the proposed Formula Rate Template in Exhibit NYSEG-003. The  
19 proposed Formula Rate Template determines the ATRR using projected data  
20 for a calendar year rate year, with an annual true-up adjustment to reconcile  
21 actual revenue for the rate year to the actual ATRR for that same rate year. The  
22 proposed Formula Rate is consistent with transmission formula rates approved  
23 by FERC and in use throughout the United States. The unpopulated Formula

1 Rate Template will be included in Section 6.19.6.2.2 of Attachment 1 to Rate  
2 Schedule 19 of the NYISO OATT.

3 **Q. Describe Exhibit NYSEG-003.**

4 A. Exhibit NYSEG-003 contains the proposed Formula Rate Template, populated  
5 with proxy data to enable its ease of use, and consisting of several worksheets  
6 necessary to determine and publish the ATRR for NYSEG's Schedule 19  
7 Projects.<sup>10</sup> The Index is a list of all the worksheets contained in the Formula  
8 Rate Template. Projected input data will come from NYSEG's internal  
9 budgeting process, while actual input data will come from the NYSEG FERC  
10 Form No. 1. The populated Formula Rate Template will be provided in Excel  
11 to stakeholders well in advance of the ATRR or annual true-up adjustment  
12 implementation, with ample opportunity to review, question and provide  
13 feedback in accordance with the protocols described in the next section.

14 **Q. What is Appendix A of Exhibit NYSEG-003?**

15 A. Appendix A is the worksheet that computes the non-levelized ATRR. It  
16 contains rate base, operations and maintenance expense, depreciation and  
17 amortization expense, taxes other than income taxes, income taxes, return and  
18 revenue credits. It also contains adjustments to the ATRR for prior period  
19 corrections and the annual true-up adjustment.

20 **Q. Describe the rate base section of Appendix A.**

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<sup>10</sup> I have included proxy data in all data input cells for ease of use. The unpopulated formula rate is proposed to be included in Section 6.19.6.2.2 of Attachment 1 to Rate Schedule 19 of the NYISO OATT.

1     A.     Rate base consists of gross plant in service, accumulated depreciation, net plant  
2           in service, construction work in progress (“CWIP”), abandoned plant,  
3           accumulated deferred income taxes, land held for future use, and other rate base  
4           items. Other base items include cash working capital, materials and supplies,  
5           prepayments, regulatory asset, and unfunded liabilities. All items are five-  
6           quarter average balances except accumulated deferred income taxes which are  
7           beginning of year/end of year averages or a value that reflects Internal Revenue  
8           Service-required proration. Column 3 contains total NYSEG data, where  
9           applicable, while Column 5 contains data related to the Schedule 19 Projects.  
10          Column 4 contains the allocation method used to derive the Schedule 19 Project  
11          amounts.

12    **Q.     Describe how the Formula Rate derives gross plant in service, accumulated**  
13          **depreciation, and net plant in service.**

14    A.     Gross plant in service and accumulated depreciation amounts are contained in  
15           Workpaper 1-RB Items. Workpaper 1-RB Items contains gross plant in service  
16           and accumulated depreciation by function. The Schedule 19 Project gross plant  
17           in service and accumulated depreciation will be based upon NYSEG tracking  
18           these assets in its fixed asset system, and the actual amounts will be included  
19           on appropriate FERC Form No. 1 pages via footnotes. Net plant in service  
20           equals gross plant in service less accumulated depreciation.

21    **Q.     How do you determine the portion of electric general, electric intangible**  
22          **and common gross plant in service and the applicable accumulated**  
23          **depreciation to allocate to the Schedule 19 Projects?**

1 A. Consistent with the construct of most formula rates accepted by the  
2 Commission for transmission cost of service, the proposed Formula Rate for  
3 Schedule 19 Projects allocates electric general gross plant and electric  
4 intangible gross plant in service and the applicable accumulated depreciation  
5 using a wage and salary allocator based upon estimated transmission wages for  
6 the Schedule 19 Projects. The Formula Rate derives this allocator on Line 97  
7 of Appendix A. The Formula Rate allocates common gross plant in service<sup>11</sup>  
8 and the applicable accumulated depreciation using the product of both a  
9 common plant allocator to determine the electric transmission portion (derived  
10 on Line 100 of Appendix A) and the same wage and salary allocator used for  
11 electric general and electric intangible items.

12 **Q. Describe CWIP on Line 23 of Appendix A.**

13 A. If NYSEG requests, after receiving approval by the NYPSC, and FERC grants  
14 recovery of CWIP for any Schedule 19 Project, the five-quarter average rate  
15 year amount would be included both on Workpaper 1-RB Items and in rate base  
16 on Line 23 of Appendix A.

17 **Q. Describe Abandoned Plant on Line 24 of Appendix A.**

18 A. If NYSEG requests and FERC grants recovery of any abandoned plant costs for  
19 a Schedule 19 Project, the five-quarter average rate year amount would be  
20 included both on Workpaper 1-RB Items and in rate base on Line 24 of  
21 Appendix A.

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<sup>11</sup> Common plant is used for both electric and natural gas business functions.

1   **Q.     Describe how the Formula Rate determines accumulated deferred income**  
2       **taxes, included on Line 25.**

3   A.     The Formula Rate derives accumulated deferred income taxes on Workpaper  
4       2a-ADIT Current Year, Workpaper 2b-ADIT Prior Year, Workpaper 2c-ADIT  
5       Proration Projected and Workpaper 2d-ADIT Proration Actual. Only direct  
6       assigned accumulated deferred income taxes are included, such as those related  
7       to accelerated depreciation attributable to the Schedule 19 Projects. Workpaper  
8       2a-ADIT Current Year contains both the current year and prior year values for  
9       Accounts 190 (if any) and 283 and the prorated value for Account 282. The  
10      prior year values come from Workpaper 2b-ADIT Prior Year. The prorated  
11      values come from Workpaper 2c-ADIT Proration Projected, which is used  
12      when the Formula Rate is populated with projected data, or Workpaper 2d-  
13      ADIT Proration Actual, which is used when the Formula Rate is populated with  
14      actual data. Both the proration workpapers determine values consistent with  
15      Treasury Regulation Section 1.167(l)-1(h)(6) and reflect methodologies  
16      accepted by the Commission and in use in many transmission formula rates  
17      today.

18   **Q.     Line 26 of Appendix A contains Excess Accumulated Deferred Income**  
19       **Taxes. Please explain why this Worksheet is needed.**

20   A.     Per FERC Order No. 864, the Commission requires that all transmission  
21       formula rates provide for the ability, should income tax rates change, to  
22       remeasure accumulated deferred income taxes, to determine the excess or  
23       deficient accumulated deferred income taxes and to include such amount in rate

1 base. Workpaper 3-EDIT provides for the potential remeasurement for direct  
2 assigned accumulated deferred income taxes related to Schedule 19 Projects.

3 **Q. Describe land held for future use.**

4 A. NYSEG would include here any land held for future use related to approved  
5 Schedule 19 Projects. In other words, if NYSEG has purchased land and that  
6 land will be used for an approved Schedule 19 Project, NYSEG would include,  
7 prior to the project going into in service, such amounts on both Workpaper 1-  
8 RB Items and on Line 28, Column 5 of Appendix A. This approach is consistent  
9 with FERC precedent on the rate base treatment of land held for future use.

10 **Q. Describe how the Formula Rate determines cash working capital on Line**  
11 **29.**

12 A. Cash working capital is equal to one-eighth of operations and maintenance  
13 expenses (including administrative and general expenses) contained on Line 50,  
14 consistent with FERC precedent.

15 **Q. Lines 30 and 31 contain materials and supplies amounts. Describe how the**  
16 **Formula Rate derives these amounts.**

17 A. There are two materials and supplies lines. One is for materials and supplies  
18 directly assigned to transmission. To determine the Schedule 19 Project  
19 portion, the Formula Rate allocates the total amount from Workpaper 1-RB  
20 Items by the Schedule 19 Project transmission plant allocator. The other line  
21 contains materials and supplies related to electric and gas construction. To  
22 determine the Schedule 19 Projects portion, the Formula Rate allocates the  
23 100% amount from Workpaper 1-RB Items by the product of the common plant

1 allocator (to determine the electric portion) and the gross electric plant allocator  
2 (to determine the portion of electric that is for Schedule 19 Projects).

3 **Q. Describe prepayments contained on Line 32.**

4 A. This item represents prepayments for NYSEG's electric and natural gas  
5 delivery businesses. Therefore, to determine the Schedule 19 Project portion,  
6 the Formula Rate allocates the 100% amount from Workpaper 1-RB Items by  
7 the product of the common plant allocator (to determine the electric portion)  
8 and the gross electric plant allocator (to determine the portion of electric that is  
9 for Schedule 19 Projects).

10 **Q. What is Regulatory Asset, Line 33?**

11 A. NYSEG includes a regulatory asset placeholder to be recorded in Account  
12 182.2, for the cost of removal less salvage ("removal costs") of existing  
13 transmission assets to make way for CLCPA Eligible Projects. NYSEG would  
14 include on Line 33 the five-quarter average of the regulatory asset, as  
15 determined in Exhibit No. NYSEG-003, Workpaper 1-RB Items.

16 **Q. Explain the Commission's policy on creating regulatory assets.**

17 A. The Commission's Uniform System of Accounts provides that a regulatory  
18 asset is to be recognized when amounts otherwise chargeable to expense in the  
19 current period are to be recovered in rates in a future period.<sup>12</sup> When start-up  
20 and related costs are incurred in a period apart from the anticipated benefit

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<sup>12</sup> The accounting instructions for Account 182.3 are clear that a jurisdictional entity, like NYSEG, may record a regulatory asset if it is probable that such items will be included in a different period for purposes of developing rates that the utility is authorized to charge for its utility services. See 18 C.F.R. Part 101, Definition No. 31, *Regulatory Assets and Liabilities*.

1 period, the costs should be allocated to periods when the related benefits are  
2 expected to be realized.<sup>13</sup> “To accomplish this objective, the costs must be  
3 recorded initially as an asset, deferred, and then amortized to expense over the  
4 anticipated benefit period.”<sup>14</sup> Though these removal costs would not be charged  
5 to expense if not deferred to a regulatory asset (removal costs are charged to  
6 accumulated depreciation, Account 108), the principles here are the same.  
7 NYSEG has determined, in accord with the Commission’s regulations, that it is  
8 probable that these removal costs will be recovered in Rate Schedule 19 rates  
9 in future periods, and NYSEG should record a regulatory asset for such  
10 amounts.

11 **Q. Why is NYSEG including costs of removal for existing transmission assets**  
12 **to make room for CLCPA Eligible Project as part of the Schedule 19**  
13 **Project Formula Rate and not in New York State rates where the existing**  
14 **assets are included?**

15 A. Because the transmission assets to be removed as part of the CLCPA Eligible  
16 Projects would not be removed but for the CLCPA Eligible Projects’  
17 construction, NYSEG is proposing the regulatory asset treatment to ensure that  
18 this cost of removal will be recovered through the Formula Rate, and  
19 consequently, from those customers benefitting from the CLCPA Eligible

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<sup>13</sup> See *PJM Interconnection, L.L.C., Virginia Electric and Power Co.*, 109 FERC ¶ 61,012, PP 50-54 & n.50 (2004) (“This conclusion is based on the matching principle...”), *order on reh’g*, 110 FERC ¶ 61,234, PP 38-41 (2005).

<sup>14</sup> See *id.*, 109 FERC ¶ 61,012 at P 50.

1 Projects, rather than through only NYSEG NYPSC rates specific to its retail  
2 customers.

3 **Q. Describe NYSEG's proposed accounting approach related to these costs of**  
4 **removal.**

5 A. When NYSEG incurs the removal costs related to the construction of CLCPA  
6 Eligible Projects, it will record the costs in Account 108, Accumulated  
7 Depreciation, as is required under FERC's accounting requirements. At the  
8 same time, NYSEG will create a regulatory asset in Account 182.3 and a  
9 regulatory liability in Account 254 for the cost of removal. NYSEG will  
10 include, in the Formula Rate, the unamortized balance of the regulatory asset in  
11 rate base and the amortization in expense. NYSEG proposes to amortize the  
12 regulatory asset over 10 years. The proposed 10-year period will mitigate the  
13 impact on the revenue requirements to be recovered through Rate Schedule 19.  
14 The regulatory liability is to recognize that NYSEG will reduce future NYPSC  
15 rates for the cost of removal being recovered through this Formula Rate.<sup>15</sup> This  
16 regulatory liability will be addressed in a future NYPSC ratemaking  
17 proceeding. It will not be included in the Formula Rate.

18 **Q. Summarize NYSEG's regulatory asset request.**

19 A. To reduce regulatory uncertainty and ensure that only appropriate costs are  
20 proposed for recovery under the Formula Rate, NYSEG has determined and  
21 seeks Commission acceptance that the costs of removal described above and

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<sup>15</sup> These removal costs will increase rate base for NYPSC ratemaking and will be used to determine future depreciation rates. The amortization of the regulatory liability will offset the rate base impacts and the higher depreciation rates in NYPSC ratemaking.

1 included in the proposed Formula Rate Template are “probable for recovery in  
2 rates in a different period”<sup>16</sup> and that the recovery period would be 10 years.  
3 NYSEG recognizes, however, that Commission approval under Section 205 is  
4 required before a regulatory asset may be recovered in Commission-  
5 jurisdictional rates, including transmission formula rates.<sup>17</sup> NYSEG, therefore,  
6 commits to making a limited filing under Section 205 at the appropriate time to  
7 request recovery of this Regulatory Asset, consistent with Commission  
8 precedent, prior to the inclusion of such costs in the Formula Rate.

9 **Q. Describe the last rate base item – unfunded liabilities.**

10 A. Certain cost items are accrued and expensed, but not externally funded and not  
11 paid for some time. For example, injuries and damages are determined,  
12 estimated, and expensed when the injury or damage occurs; the amount is not  
13 deposited in an external fund, and cash may not be expended for many months  
14 and sometimes years. As a result, such amounts should reduce rate base. I have  
15 analyzed accounts 228 and 242 and determined that two items should be  
16 reflected in unfunded liabilities – allowance for injuries and damages and  
17 accrued vacation. Therefore, the Formula Rate determines the five-quarter  
18 average rate year balance of these items in Workpaper 1-RB Items and then  
19 reduces rate base on Line 34 of Appendix A. Since these unfunded liability

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<sup>16</sup> See *Midwest Indep. Transmission Sys. Operator, Inc.*, 138 FERC ¶ 61,021, P 20 (2012) (allowing deferred recovery of pre-commercial and transmission related expenses, as well as start-up and development costs, and to assess and recover those costs later).

<sup>17</sup> See *Kansas Elec. Power Cooperative, Inc. v. Evergy Kansas Central, Inc.*, 175 FERC ¶ 61,044, PP 45, 48 (2021); *Piedmont Mun. Power Agency v. Duke Energy Carolinas, LLC*, 162 FERC ¶ 61,109, P 32 (2018)

1 items are related to all NYSEG's business and are predominantly payroll items,  
2 the Formula Rate allocates the 100% amount from Workpaper 1-RB Items by  
3 the product of the common plant allocator (to determine the electric portion)  
4 and the Schedule 19 Projects wage and salary allocator (to determine the  
5 Schedule 19 Project portion).

6 **Q. Now that you have covered rate base items, describe the items that make**  
7 **up the ATRR.**

8 A. The first item is Operations and Maintenance Expenses ("O&M"), which  
9 begins on Line 37 of Appendix A. The Formula Rate provides for either direct  
10 assigning transmission O&M, if NYSEG tracks O&M expenses for the  
11 Schedule 19 Projects, or allocating transmission O&M to Schedule 19 Projects,  
12 but not both. EPRI dues are removed from transmission O&M prior to any  
13 allocation to Schedule 19 Projects. If the allocation approach is selected, the  
14 Formula Rate allocates transmission O&M to Schedule 19 Projects using a  
15 Schedule 19 Projects transmission gross plant allocator.

16 **Q. Describe how administrative and general expenses ("A&G") are treated in**  
17 **the Formula Rate.**

18 A. The Formula Rate begins with total electric A&G and deducts any EPRI dues,  
19 electric regulatory commission expenses, electric property insurance and  
20 certain electric Account 930.2 items to arrive at adjusted A&G. It then allocates  
21 adjusted A&G to Schedule 19 Projects using a Schedule 19 Projects wage and  
22 salary allocator, consistent with how A&G is treated in most transmission  
23 formula rates. It then allocates any transmission regulatory expenses not direct

1 assigned to Schedule 19 Projects using a Schedule 19 Projects transmission  
2 plant allocator and direct assigns any regulatory expenses incurred directly for  
3 Schedule 19 Project regulatory proceedings. Lastly, it allocates electric  
4 property insurance using a Schedule 19 Projects' gross plant allocator and then  
5 determines total O&M, as is shown on Line 50.

6 **Q. Are EEI Dues included in the Formula Rate?**

7 A. EEI dues that are not related to lobbying activities are included in administrative  
8 and general expense which are included in the Formula Rate. EEI dues related  
9 to lobbying activities are charged to a "below-the-line" account that is not  
10 included in the Formula Rate.

11 **Q. You mentioned that NYSEG will exclude certain items in electric Account**  
12 **930.2 from A&G. What items will NYSEG exclude?**

13 A. As is stated in Note L of Appendix A, NYSEG will exclude any items in  
14 Account 930.2 that exceed \$1 million and are not directly or indirectly related  
15 to the provision of transmission service.

16 **Q. How is depreciation and amortization expense determined for Schedule 19**  
17 **Projects?**

18 A. The Formula Rate direct assigns depreciation expense related to the Schedule  
19 19 Projects, as tracked by NYSEG in its fixed asset system. The Formula Rate  
20 allocates general, intangible, and common electric depreciation and  
21 amortization using the Schedule 19 Projects wage and salary allocator. The  
22 Formula Rate provides for amortization of abandoned plant if NYSEG receives

1 FERC approval to recover any abandonment losses related to Schedule 19  
2 Projects, as well as amortization of the Regulatory Asset for cost of removal.

3 **Q. What is included in taxes other than income taxes and how are these items**  
4 **allocated to the Schedule 19 Projects?**

5 A. This category contains electric and gas items. Included in this category are  
6 payroll taxes, real estate taxes, franchise taxes and gross receipts taxes. Payroll  
7 taxes consist of FICA and unemployment, and the Formula Rate allocates them  
8 to Schedule 19 Projects using the product of the common plant allocator to  
9 determine the electric portion and the Schedule 19 Projects wage and salary  
10 allocator to determine the Schedule 19 Project portion. The Formula Rate  
11 allocates real estate taxes and franchise taxes using the product of the common  
12 plant allocator (to determine the electric portion) and the gross electric plant  
13 allocator (to determine the Schedule 19 Project portion). The Formula Rate  
14 determines the gross receipts tax based upon an estimate of the Schedule 19  
15 Projects ATRR and includes the amount in the revenue requirement. This is  
16 done in Note N of Appendix A. As shown on Line 63, the Formula Rate  
17 provides for the addition in the future of other tax items that may arise.

18 **Q. The next item is Income Taxes. Describe the items in this category and**  
19 **how the Formula Rate determines the Schedule 19 Project component.**

20 A. Income taxes includes any amortization of investment tax credit (Line 68 and  
21 the grossed-up amount on Line 72), any amortization of excess accumulated  
22 deferred income taxes (Line 69 and the grossed-up amount on Line 73), the tax  
23 effect of permanent book/tax differences (line 70 and the grossed-up amount on

1 Line 74) and the income taxes on the common equity and preferred stock return  
2 (line 71). The Formula Rate contains the composite tax rate on Line 65 which  
3 is based upon the state and federal tax rates in Note F and also contains the  
4 grossed-up tax rate  $(1/(1-t))$  – Line 66) and the income tax factor  $(t/(1-t))$  - Line  
5 67).

6 **Q. Describe the amortization of investment tax credit and the amortization of**  
7 **excess accumulated deferred income taxes.**

8 A. The amortization of investment tax credit would be included if the Internal  
9 Revenue Code provided for an investment tax credit for the Schedule 19 Project  
10 investments, which presently, it does not. The amount would be shown on the  
11 applicable NYSEG FERC Form No. 1 page. The amortization of excess  
12 accumulated deferred income taxes would be determined on Worksheet 3-  
13 EADIT if federal or state tax rates change in the future. Worksheet 3-EADIT  
14 is included to comply with FERC Order No. 864 which requires all transmission  
15 formula rates to provide for remeasurement of accumulated deferred income  
16 taxes and inclusion of the remeasured amount in rate base and the amortization  
17 in the ATRR.

18 **Q. Describe what is included in permanent book/tax differences and how the**  
19 **amount applicable to Schedule 19 Projects will be determined.**

20 A. The Formula Rate includes permanent book/tax differences on Worksheet 4-IT  
21 Permanent Differences. NYSEG anticipates that the only permanent book/tax  
22 difference for Schedule 19 Projects will be AFUDC equity, which is included  
23 as part of the costs of construction on the books but not for income taxes.

1 Therefore, the Formula Rate includes the income taxes related to recovering the  
2 AFUDC equity portion of such book depreciation. Worksheet 4-IT Permanent  
3 Differences includes the ability to add other items, if authorized by the  
4 Commission. AFUDC equity and any other items would be included in  
5 footnotes on the applicable FERC Form No. 1 page.

6 **Q. Describe the income taxes related to common equity and preferred stock**  
7 **return.**

8 A. Income taxes related to common equity and preferred stock return recognizes  
9 that these return items are not deductible for income taxes and, therefore, the  
10 Formula Rate provides the income taxes necessary to recover this amount,  
11 which is based upon the common equity and preferred stock return for the  
12 Schedule 19 Projects determined on Worksheet 5-Project Return and the  
13 Income Tax Factor on Line 67 of Appendix A.

14 **Q. Describe the debt and common equity and preferred stock items on Lines**  
15 **76 and 77, respectively, of Appendix A.**

16 A. These items are a function of the Schedule 19 Project rate base (Line 36) and  
17 the cost of capital on Worksheet 6-Project Cost of Capital, which provides for  
18 a different cost of capital for each Schedule 19 Project, if there is such  
19 differentiation. Worksheet 6-Project Cost of Capital provides for using the  
20 lower of the FERC allowed return on equity cap, as determined in the  
21 accompanying testimony of Adrien McKenzie, or the NYPSC determined  
22 return on equity, consistent with the CSRA. It also provides for use of the

1 NYPSC approved capital structure, also as specified in the CSRA.<sup>18</sup> Lastly,  
2 Worksheet 6-Project Cost of Capital determines the cost rates of preferred stock  
3 and long-term debt, both used in determining the cost of capital.

4 **Q. Describe Worksheet 5-Project Return.**

5 A. This worksheet determines the rate base for each Schedule 19 Project or  
6 grouping of projects and applies the Schedule 19 Project cost of capital to  
7 determine the debt and common equity and preferred stock return. The Formula  
8 Rate carries the sum of these amounts forward to Appendix A.

9 **Q. How does the Formula Rate determine the rate base for each Schedule 19**  
10 **Project?**

11 A. As can be seen on Worksheet 5-Project Return, the Formula Rate direct assigns  
12 rate base items that can be direct assigned and allocates those that cannot by  
13 using a gross plant ratio based upon Column b amounts. The Formula Rate  
14 applies the project-specific weighted average cost of capital to the applicable  
15 rate base to determine the project-specific return as well as the common equity  
16 and preferred stock return and debt return.<sup>19</sup> The Formula Rate carries forward  
17 to Appendix A the sum of the common equity and preferred stock returns and  
18 the sum of the debt returns.

19 **Q. Summarize the Schedule 19 Project ATRR calculations at this point.**

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<sup>18</sup> NYSEG would include the then effective NYPSC approved ROE and cost of capital in its Schedule 19 formula rate and does not anticipate a separate order by the NYPSC setting forth the ROE and capital structure for NYSEG's Schedule 19 Projects. .

<sup>19</sup> Worksheet 5-Project Return provides, for efficiency, the ability to group individual Schedule 19 Projects that are part of a larger project that receive the same weighted average cost of capital.

1     A.     Line 79 of Appendix A is the sum of operations and maintenance expense,  
2           depreciation and amortization expenses, taxes other than income taxes, income  
3           tax expense and common equity and preferred stock return and debt return. The  
4           remaining items included in the Formula Rate are revenue credits, prior  
5           Formula Rate corrections and the annual true-up adjustment.

6     **Q.     Please describe the “revenue credits” that will be included in the Formula**  
7           **Rate.**

8     A.     The Formula Rate includes and credits any revenues recorded in Rent from  
9           Electric Property (Account 454) or Other Electric Revenues (Account 456) that  
10          directly apply to the Schedule 19 Projects. NYSEG will show any such revenue  
11          in a footnote on FERC Form No. 1 pages 300-301 and include any amounts on  
12          Lines 102 and 103, which are carried forward to Line 80 on Appendix A. The  
13          Formula Rate shows the ATRR before corrections and the true-up adjustment  
14          on Line 81 of Appendix A.

15    **Q.     What are “prior formula rate corrections.”**

16    A.     The Formula Rate provides the ability for NYSEG to make any necessary  
17          corrections to prior actual ATRRs that are beyond being included in an annual  
18          true-up adjustment. The Formula Rate provides for these corrections in  
19          Worksheet 9-Corrections, which also includes interest at the FERC determined  
20          interest rates (eCFR Section 35.19a).

21    **Q.     Explain the “annual-true-up adjustment.”**

22    A.     As explained previously, NYSEG initially will determine the ATRR using the  
23          Formula Rate populated with projections for the rate year. After it has

1 completed its FERC Form No. 1 for that same rate year, NYSEG will reconcile  
2 the revenue received, which would be based upon the projected ATRR, with  
3 the actual ATRR determined using the Formula Rate populated with actual data.  
4 The difference is the annual true-up adjustment, before including interest. The  
5 Formula Rate determines this amount on Worksheet 7, True-up Adjustment,  
6 and includes interest (using the FERC determined interest rates from 18 C.F.R.  
7 Section 35.19a) from the middle of the rate year to the middle of the period  
8 during which such true-up adjustment is calculated and included in the revenue  
9 requirement. The sum of the true-up amount plus interest is the Annual True-  
10 up Adjustment.

11 **Q. What revenue requirement amount will be provided to the NYISO for**  
12 **state-wide cost allocation under Rate Schedule 19?**

13 A. The Formula Rate shows the sum of the ATRR plus corrections plus the Annual  
14 True-up Adjustment on Line 84. NYSEG will provide this amount, effective  
15 each January 1, to the NYISO for allocation to load serving entities in New  
16 York pursuant to Rate Schedule 19 of the NYISO OATT. As described above,  
17 the NYISO will adjust this amount by any Incremental TCC settlements or  
18 outage charges for Incremental TCCs before billing such amount to load serving  
19 entities in New York, consistent with Rate Schedule 19.

20 **Q. Are there any other comments you have on the Formula Rate?**

21 Y. Yes, there are. On lines 85 through 101 of Appendix A, the Formula Rate  
22 calculates several of the allocators used in Appendix A and in other worksheets.  
23 The Formula Rate also contains several footnotes at the bottom of Appendix A,

one of which provides the definition of the acronyms used for the various allocators. Last, Worksheet 8-Depreciation Rates contains the depreciation rates to be used to determine transmission, general, intangible, and common depreciation and amortization expense included in the ATRR. These depreciation rates are those approved by the NYPSC. NYSEG will continue to use these depreciation rates until the NYPSC orders changes and NYSEG receives approval from FERC to use the changed depreciation rates. It is NYSEG's intent that any changes to these depreciation rates would be implemented simultaneously for both NYPSC ratemaking and for this Formula Rate.

**Q. What is the process for NYSEG to request transmission rate incentives for any of its Schedule 19 projects?**

A. Consistent with the CRSA, NYSEG would only request the CWIP Incentive (100% CWIP in rate base) if first approved by the NYPSC. As for the Abandonment Incentive, the CRSA provides for recovery of the costs of Schedule 19 Projects abandoned for reasons beyond the control of the transmission owner. If such abandonment occurs, NYSEG would request the Abandonment Incentive from FERC. The CSRA does not contemplate NYSEG requesting any other transmission incentives.<sup>20</sup>

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<sup>20</sup> See *Consolidated Edison Co. of New York, Inc., et al.*, 180 FERC ¶ 61,106 (2022), CSRA, paragraph 3.3.

1                   **V.   TRANSMISSION FORMULA RATE PROTOCOLS**

2   **Q.   What is the purpose of formula rate protocols?**

3   A.   The Commission considers the transmission formula itself to be the rate, not  
4       the components of the formula.  Therefore, periodic adjustments, typically  
5       performed on an annual basis and made in accordance with the Commission-  
6       approved formula, do not constitute changes in the rate itself and, accordingly,  
7       do not require section 205 filings.  However, the Commission requires  
8       safeguards to be in place to ensure that the input data is correct and accurate,  
9       that calculations are performed consistent with the formula, that the costs to be  
10      recovered in the formula rate are reasonable and were prudently incurred, and  
11      that the resulting rates are just and reasonable.  The reason for including formula  
12      rate protocols in formula rates for transmission service is to provide the parties  
13      specific procedures for notice and review of, and challenges to, the transmission  
14      owner's annual updates.  Formula rate protocols afford adequate transparency  
15      to affected customers, state regulators and other interested parties, as well as  
16      provide mechanisms for resolving potential disputes.

17      The Commission has determined that formula rate protocols must address three  
18      main issues: (1) the scope of participation (i.e., who can exchange information  
19      with transmission owners); (2) the transparency of the information exchange  
20      (i.e., what information is exchanged); and (3) the ability of customers to  
21      challenge transmission owners' implementation of the formula rate as a result

1 of the information exchange (i.e., how the parties may resolve their potential  
2 disputes.)<sup>21</sup>

3 **Q. Do the protocols you propose for NYSEG meet these criteria?**

4 A. Yes, they do.

5 **Q. Are you familiar with other transmission owner protocols?**

6 A. Yes, I am. I am familiar with the protocols in place today for many transmission  
7 owners in the Midcontinent Independent System Operator, Inc. (“MISO”)  
8 which were adopted by FERC in 2015. I am familiar with the protocols in place  
9 for many transmission owners in PJM, having designed in 2020 the protocols  
10 for one of the PJM transmission owners. I am also familiar with the protocols  
11 in place for transmission owners in New York and in New England. I am also  
12 aware of FERC’s recent effort to see protocols updated for transmission owners  
13 in the west and southeast United States.

14 **Q. Did you consider these transmission owner protocols in developing those**  
15 **for NYSEG?**

16 A. Yes, I did.

17 **Q. Please describe the proposed NYSEG, Schedule 19 Project, Formula Rate**  
18 **Implementation Protocols.**

19 A. The proposed protocols are contained in Exhibit No. NYSEG-004 and are  
20 proposed to be included in Section 6.19.6.2.1 of Attachment 1 to Rate Schedule  
21 19 of the NYISO OATT. The protocols are organized as follows:

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<sup>21</sup> *Midwest Indep. Transmission Sys. Operator, Inc.*, 139 FERC ¶ 61,127 at P 8.

- 1           a. Section 1 – Definitions – Contains the definition of key terms used
- 2                 in the protocols;
- 3           b. Section 2 – Applicability – The protocols apply to the NYSEG
- 4                 calculation of its Actual Annual Transmission Revenue
- 5                 Requirement (“Actual ATRR”) and related Annual True-up
- 6                 Adjustment, as well as to its Projected Annual Transmission
- 7                 Revenue Requirement (“Projected ATRR”), for its Schedule 19
- 8                 Projects;
- 9           c. Section 3 – Specific requirements related to the Projected ATRR,
- 10                 Actual ATRR, Annual True-up Adjustment and Annual Update;
- 11           d. Section 4 – Fundamental Predicates - Describe the basis of the data
- 12                 on which the Formula Rate is premised;
- 13           e. Section 5 – Specific requirements related to CWIP, if applicable;
- 14           f. Section 6 – A description of the annual review procedures, including
- 15                 a timeline for the formula rate cycle (Section 10 includes an example
- 16                 of such timeline);
- 17           g. Section 7 – Informational Filing
- 18           h. Section 8 - Challenge Procedures;
- 19           i. Section 9 - Changes to annual informational filings; and
- 20           j. Section 10 – Timeline example of formula rate cycle.

21   **Q.     Please describe Section 3 – Projected ATRR, Actual ATRR, Annual True-**  
22   **up Adjustment and Annual Update.**

1     A.     This section of the protocols states that the Projected ATRR will be applicable  
2           to services on and after January of each year, with the first Projected ATRR to  
3           be for the Rate Year in which NYSEG expects one or more of its Schedule 19  
4           Projects to be in service (or to begin construction, if CWIP recovery is granted)  
5           or if NYSEG plans to purchase land held for future use. NYSEG will update  
6           the Projected ATRR each January 1. Section 3 provides the dates by which  
7           both the Annual True-up Adjustment is to be posted on the NYISO website  
8           (June 15th) and the related Annual Informational Filing filed with the  
9           Commission (June 15<sup>th</sup>). It also states that the Annual Update will be posted on  
10          the NYISO website by October 15th of each year, to be followed by a  
11          stakeholder meeting for interested parties.

12    **Q.     How do the protocols define interested party?**

13    A.     Interested parties are defined as any transmission customer under the NYISO  
14           OATT, the New York Department of Public Service, the New York State  
15           Department of State's Division of Consumer Protection Utility Intervention  
16           Unit, other New York consumer advocacy agencies, the New York Attorney  
17           General or any party that has standing in a NYSEG formula rate proceeding  
18           under section 205 or 206 of the Federal Power Act.

19    **Q.     Continue to describe Section 3.**

20    A.     Section 3 also defines the information that NYSEG will provide in its annual  
21           Informational Filing related to the Annual True-up Adjustment including the  
22           interest rates used. It also defines the information NYSEG will provide in its

1 Annual Update.<sup>22</sup> It states the formula rate data inputs that are fixed: (i) rate of  
2 return on common equity; (ii) extraordinary property losses, and (iii)  
3 depreciation and amortization expense rates. These items may only be changed  
4 through an FPA Section 205 or 206 proceeding. It also provides that NYSEG  
5 may make a limited Section 205 filing to change its rate of return on common  
6 equity, request recovery of the cost of removal regulatory asset, request  
7 recovery of extraordinary property losses, or change or add new depreciation  
8 and amortization rates, and that NYSEG may request incentives pursuant to  
9 FPA Section 219.

10 **Q. Please describe Section 4 of the protocols – Fundamental Predicates.**

11 A. This section of the protocols states that the Formula Rate is premised upon data  
12 that is consistent with the FERC Uniform System of Accounts, applicable  
13 FERC Form No. 1 requirements, FERC's policies governing transmission  
14 formula rates, FERC's orders establishing transmission ratemaking policies and  
15 procedures, and the accounting and cost allocation policies of NYSEG.

16 **Q. Please describe Section 5 of the protocols - Construction Work in Process.**

17 A. This section applies to NYSEG Schedule 19 Projects where FERC has granted  
18 NYSEG the CWIP Incentive. It states that the CWIP Incentive can only be  
19 included in rate base when the Commission has approved this incentive for a  
20 transmission project or projects, and it imposes certain accounting and reporting

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<sup>22</sup> The Annual Update includes the Projected ATRR for the upcoming Rate Year and includes any Annual True-up Adjustment for the prior Rate Year and any Corrections for prior years.

1 requirements on NYSEG, including that AFUDC will not be accrued  
2 simultaneously on projects where CWIP is included in rate base.

3 **Q. What is the purpose of Section 6 – Annual Review Procedures?**

4 A. Section 6 of the protocols sets out the procedures, process and timeline for  
5 interested parties to review the annual Informational Filing and the Annual  
6 Update. It limits interested parties' inquiries to:

- 7 1. the extent or effect of an Accounting Change;
- 8 2. whether the Annual True-up Adjustment or Annual Update fails to  
9 include data properly recorded in accordance with the protocols and  
10 the Fundamental Predicates or includes data not properly recorded  
11 in accordance with the protocols and the Fundamental Predicates;
- 12 3. whether the costs included in the Annual Update are properly  
13 accounted for (e.g., recordable and recorded in the appropriate  
14 accounts) under FERC's Uniform System of Accounts and  
15 otherwise consistent with NYSEG's accounting policies, practices,  
16 or procedures;
- 17 4. whether there are errors in the current Annual Update and, if any are  
18 identified, whether the same or similar errors were made in prior  
19 Formula Rate filings with a further explanation identifying each  
20 Formula Rate filing in which such errors were made;
- 21 5. the proper application of the Formula Rate and procedures in the  
22 Protocols;

- 1                   6. the accuracy of data and consistency with the Formula Rate of the  
2                   calculations shown in the Annual True-up Adjustment or the Annual  
3                   Update;  
4                   7. the prudence of actual costs and expenditures;  
5                   8. the effect of any change to the underlying Uniform System of  
6                   Accounts or the FERC Form No. 1; or  
7                   9. any other information that may reasonably have a substantive effect  
8                   on the calculation of the ATRR pursuant to the Formula Rate.

9   **Q.    Please describe the next section of the protocols, Section 7 – Informational**  
10   **Filing.**

11   A.    By February 1 of each year, NYSEG shall submit to FERC an informational  
12          filing (“Informational Filing”) of its Annual Update and the results of the  
13          Annual Review Procedures. This Informational Filing must include the  
14          information that is required by Section 3, must describe any changes pursuant  
15          to the Annual Review Procedures and must describe all aspects of the formula  
16          rate or its inputs that are the subject of an ongoing dispute under the Informal  
17          or Formal Challenge procedures.

18   **Q.    Describe Section 8, Challenge Procedures.**

19   A.    These procedures would be invoked by an interested party if disputes with  
20          NYSEG are not resolved. There are two levels of challenge procedures:  
21          informal and formal. Informal challenges include when the interested party and  
22          NYSEG are continuing to work to resolve differences. If an informal challenge

1 does not result in a resolved dispute, the interested party can make a formula  
2 challenge, which is filed at FERC.

3 **Q. Please describe Section 9 – Changes to Informational Filings.**

4 **A.** This section of the protocols states that any changes to the data inputs resulting  
5 from, for example, revisions to NYSEG's FERC Form No. 1, as the result of  
6 any FERC proceeding to consider the Formula Rate or as a result of the  
7 procedures set forth in the protocols, shall be incorporated into the Formula  
8 Rate (with interest) in the Annual Update for the next effective rate year via a  
9 correction or the Annual True-up Adjustment. This approach applies in lieu of  
10 mid-rate year adjustments, refunds or surcharges.

11 **Q. Please describe the last section of the Formula Rate Implementation**  
12 **Protocols?**

13 **A.** Section 10 contains a timeline of the Formula Rate Protocols that begins with  
14 the Actual ATRR calculation for the prior rate year and ends with the formal  
15 challenge process.

16

## 17 **VI. CONCLUSION**

18 **Q. Please summarize your recommendation to the Commission.**

19 **A.** I recommend that the Commission approve the Formula Rate Template and  
20 Formula Rate Protocols for NYSEG contained herein.

21 **Q. Does this conclude your testimony?**

22 **A.** Yes, it does.

Exhibit No. NYSEG-002

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**Dr. Paul A. Dumais**  
**Chief Executive Officer**

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Dr. Paul A. Dumais is a financial and economic consultant with more than 40 years of experience in the energy industry. He has extensive senior level electric and natural gas utility and regulatory policy experience. Dr. Dumais' comprehensive expertise includes an extensive depth and breadth of the energy industry, including extensive experience with federal and state utility regulatory items, including revenue requirements, cost of service and rate design, formula and stated rates, reactive power and other ancillary service rates, electric transmission incentives, competitive electric transmission processes, Tax Reform impacts, transmission service agreements, open access transmission tariffs and regional transmission organization stakeholder participation. Dr. Dumais has provided expert testimony on ratemaking and financial matters before the Federal Energy Regulatory Commission (FERC) and the Maine Public Utilities Commission (MPUC). Dr. Dumais also assists clients with FERC accounting and navigating through a FERC audit. He has a doctorate degree in Strategic Leadership from Regent University and an MBA and BS degree in business administration and accounting, respectively, from the University of Maine. He joined Central Maine Power in 1979, where he worked in accounting, financial planning and regulatory groups until progressing to the parent company, Avangrid, where he established entity-wide asset management and investment planning efforts and then moved to leading FERC regulatory policy efforts. He retired from Avangrid in late 2018 and began Dumais Consulting LLC where he is the Chief Executive Officer. The mission of Dumais Consulting is to be a trusted advisor to clients on regulatory policy and ratemaking matters, so they successfully execute their business plans.

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**REPRESENTATIVE PROJECT EXPERIENCE**

**Expert Testimony**

Provided expert testimony in many FERC and state regulatory proceedings on transmission formula rates, reactive power and other revenue requirements, cost of service, rate design, income tax and regulatory policy issues. Effectively participated in numerous settlement efforts and was cross-examined in many litigated cases.

**Electric Transmission and Ancillary Services, Including Reactive Power**

Advisor to electric utilities on FERC-related regulator policy, ratemaking and accounting matters, including transmission formula rates and reactive power. Expert in FERC electric and gas ratemaking and accounting requirements as well as income tax implications. Lead efforts to move transmission owner from stated transmission rates to formula transmission rates. Assisted transmission owners in changing existing transmission formula rates to accommodate a competitive project with cost containment features.

Expert Testimony and Filings

Item No.	Jurisdiction	Docket No.	Organization Initiating Proceeding	Client	Date of Testimony	Subject Matter	Regulator Decision
1	FERC	ER22-2763	Entergy Louisiana	Entergy	August 29, 2022	Reactive power for Lake Charles Generating Station – a natural gas, combined cycle generating station	Filed
2	FERC	ER22-351	PSEG Power	PSEG Power	November 5, 2021	Reactive power annual revenue requirement for PSEG Power's nuclear generating stations	Settlement pending
3	FERC	ER22-279, 285, 291, 294	PSEG Power/Parkway Generation	PSEG Power/Parkway	October 29, 2021	Reactive power annual revenue requirement for PSEG Power's fossil generating stations	Settlement pending
4	FERC	ER21-2334	Cross Sound Cable	Cross Sound Cable	July 1, 2021	IROL-CIP Cost recovery under ISO-NE Schedule 17 during prior periods via Regulatory Asset Incentive	Denied
5	FERC	ER21-1015	PacifiCorp	PacifiCorp	February 1, 2020	Cost of providing Schedule 2 (fleet-wide Reactive Power), Schedule 3 (Regulation and Frequency Response), Schedule 5 (Spinning Reserves) and Schedule 6 (Supplement Reserves)	Settlement approved
6	FERC	ER20-2550	Entergy Mississippi	Entergy	July 30, 2020	Reactive power for Choctaw Generating Station – a natural gas combined cycle generating station	Settlement approved
7	FERC	ER20-2541	Entergy Louisiana	Entergy	July 29, 2020	Reactive power for John Wayne Lewis Generating Station – a natural gas, combined cycle generating station	Settlement approved
8	FERC	ER20-1150	The Dayton Power and Light	The Dayton Power and Light	March 3, 2020	Electric transmission formula rate	Settlement approved
9	FERC	ER19-2856	Birchwood Power Partners	Birchwood Power Partners	September 23, 2019	Reactive power revenue requirement for coal generating facility	Settlement approved
10	FERC	ER19-2683	EFS Parlin Holdings LLC	EFS Parlin Holdings LLC	August 26, 2019	Reactive power revenue requirement for combined cycle generating facility	Settlement approved
11	FERC	ER19-2585	Florida Power & Light	Florida Power & Light	August 13, 2019	Fleetwide reactive power revenue requirement and rates	Settlement approved
12	Maine	2019-132	Emera Maine/Versant Power	Emera Maine/Versant Power	August 1, 2019	Economics of renewing transmission rights in HQ Phase I/II HVDC-transmission facility	Approved
13	FERC	ER19-2105	PJM Transmission Owners	Linden VFT	July 2, 2019	Critique of PJM TO proposal for a formula rate border rate	Settlement approved

Expert Testimony and Filings (continued)

Item No.	Jurisdiction	Docket No.	Organization Initiating Proceeding	Client	Date of Testimony	Subject Matter	Regulator Decision
14	FERC	RM19-5 (Notice of Proposed Rulemaking)	FERC	Avangrid and NY Transco	May 22, 2018	Comments in Tax Reform NOI (RM18-12) and NOPR	Final rule – Order 864
15	FERC	ER18-2256 through ER18-2262	Central Maine Power	Central Maine Power	August 20, 2018	Demonstrating that rates in negotiated 20- and 40-year transmission service agreements are just and reasonable	Approved
16	FERC	EL18-103, EL18-110 and ER18-1588	New York State Electric and Gas and Rochester Gas and Electric	New York State Electric and Gas and Rochester Gas and Electric	May 14, 2018	Tax Cut and Jobs Act impact on stated transmission rates	Approved
17	FERC	AC18-175	United Illuminating	United Illuminating	June 15, 2018	Netting of regional network service transmission revenue and expenses to reduce gross receipts tax	Approved
18	Maine	Various	Central Maine Power Company or Maine Public Utilities Commission	Central Maine Power Company	1985 to 2010	Economics of \$1.4 B transmission project, revenue requirements, rate design, standby rates, jurisdictional separation of transmission and distribution, purchased power agreements, AMI and customer service and reliability	Various

### Other Regulatory Work

Item No.	Jurisdiction	Docket No.	Organization Initiating Proceeding	Client	Date of Testimony	Subject Matter	Regulator Decision
1	FERC	RP22-1065	Iroquois Gas Transmission System	NY and NJ LDCs	Assisted LDC Group in prefiling settlement effort	Assisted LDC group in understanding cost of service, cost allocations and rate design proposed by EGTS. Assisted LDC group in negotiating settlement, including developing a litigation outcome and LDC bill impacts.	Settlement pending
2	FERC	RP21-1187	Eastern Gas Transmission and Storage	Mid-Atlantic group of LDCs	Assisted LDC Group	Assisted LDC group in understanding cost of service and cost allocations proposed by EGTS. Assisted LDC group in negotiating settlement, including developing litigation impacts.	Settlement pending
3	FERC	EL16-19	FERC	Avangrid	Part of New England Transmission Owner Team that negotiated settlement	Section 206 transmission formula rate investigation	Settlement approved
4	FERC	EL11-66, EL13-33, EL14-86 and EL16-64	State regulators and municipal customers	Avangrid	Part of New England Transmission Owner Team that litigated cases	Section 206 base ROE complaints	Pending
5	FERC	AD16-18	FERC	Avangrid	In 2016, on panel at Order 1000 technical conference	Transmission incentives and cost caps considering competitive processes	Notice of proposed rule ongoing
6	FERC	ER15-572	New York Transco	New York Transco	Lead negotiator in settlement efforts	Transmission formula rate, including incentives and cost caps	Settlement approved

### Other Activities

Advisor on regulatory matters to entity pursuing merger and acquisition activity. Trusted advisor on FERC-related regulatory, accounting and policy matters to several clients. Amended a transmission formula rate to address comments from a FERC order and to address complex income tax issues, including those related to changes in accumulated deferred income taxes due to a change in income tax rates. Lead participant in the development of performance-based ratemaking in Maine. Active participant in restructuring electric industry in Maine, including recovery of stranded costs from over-market purchased power agreements and unbundling of transmission and distribution rates to recognize the federal/state jurisdictional split when a utility no longer provides bundled generation and delivery service.

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## PROFESSIONAL HISTORY

### **Dumais Consulting, LLC (2018 - Present)**

Chief Executive Officer

### **Avangrid (2010 - 2018)**

Director, FERC Regulation

Director, Asset Management and Investment Planning

### **Central Maine Power Company (1979 - 2010)**

Director, Regulatory Services and Budgeting

Manager of Revenue Requirements and Rate Design

Other various positions

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## EDUCATION AND CERTIFICATION

Doctor of Strategic Leadership, Regent University, Virginia Beach, 2013

Master's in Business Administration, University of Maine, May 1986

Bachelor of Business Administration, Accounting, May 1982

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## **OTHER ORGANIZATIONS**

WIRES, President-Elect – 2018. WIRES member 2014-2018.

EI, Energy Delivery Advisory Committee – 2015-2018

Energy Bar Association – presented transmission ROE and incentives in context of Order 1000 at 2018 annual meeting.

American Bar Association - panel presenting online seminar in December 2018 on FERC electric transmission ratemaking - formula rates, return on equity and incentives. The online seminar is located and can be purchased at <http://www.americanbar.org/events-cle/ecd/ondemand/348759235/>.

Energy Central - selected as a 2018 and 2019 Top Poster for Energy Central's Grid community.

Exhibit No. NYSEG-003

## Section 6.19.6.2.2 Formula Rate Template

**New York State Electric and Gas Corporation  
Transmission Formula Rate  
Schedule 19 Projects**

**Actual for the 12 Months Ended 12/31/2021**

**Index**

Worksheet	Tab	Description
A	Appendix A	Annual Transmission Revenue Requirement for Schedule 19 Projects
1	RB Items	Average Balances for Most Rate Base Items
2a	ADIT-Current Year	Current Year Average Accumulated Deferred Income Taxes
2b	ADIT-Prior Year	Prior Year Average Accumulated Deferred Income Taxes
2c	ADIT Proration Projected	Proration of Projected Accumulated Deferred Income Taxes
2d	ADIT Proration Actual	Proration of Actual Accumulated Deferred Income Taxes
3	EADIT	Excess Accumulated Deferred Income Tax Rate Base and Amortization
4	IT Permanent Differences	Permanent Book/Tax Differences
5	Project Return	Return on Schedule 19 Projects
6	Project Cost Of Capital	Schedule 19 Project Cost of Capital
7	True-up Adjustment	Annual True-up Adjustment
8	Depreciation Rates	Depreciation Rates Approved by the Commission and Used to Determine Schedule 19 Projects Depreciation and Amortization Expense
9	Corrections	Prior Period Corrections

Formula Rate - Non-Levelized

Transmission Formula Rate Template  
Utilizing FERC Form 1 Data

Actual for the 12 Months Ended 12/31/2021

**New York State Electric and Gas Corporation**  
**Appendix A: Annual Transmission Revenue Requirement for Schedule 19 Projects**

Line	Composite Depreciation Rates -1	(2)	(3)	(4)	(5)
No.	RATE BASE (Note A):	Form No. 1 or Transmission Formula Rate Reference	Company Total (where applicable)	Allocator (Note K)	Schedule 19 Projects
1	GROSS PLANT IN SERVICE				
1	Production	Worksheet 1, Line 6, Col. (c)	159,955,660	NA	0
2	Transmission	Worksheet 1, Line 6, Col. (d) or Col. (m)	1,514,088,107	DA	510,000,000
3	Distribution	Worksheet 1, Line 6, Col. (e)	3,029,497,012	NA	0
4	Electric General	Worksheet 1, Line 6, Col. (f)	184,650,627	S19 W/S 4.839%	8,935,053
5	Electric Intangible	Worksheet 1, Line 6, Col. (b)	27,254,501	S19 W/S 4.839%	1,318,817
6	Common	Worksheet 1, Line 6, Col. (g)	716,958,242	CP*S19 W/S 3.902%	27,978,368
7	TOTAL GROSS PLANT	(Sum of Lines 1 through 6)	5,632,404,149	GP= 9.734%	548,232,238
8	Without Common - For Gross Plant Allocator Calculation Only		4,915,445,907	GPE= 10.584%	520,253,870
9	ACCUMULATED DEPRECIATION				
9	Production	Worksheet 1, Line 12, Col. (c)	(74,853,002)	NA	0
10	Transmission	Worksheet 1, Line 12, Col. (d) or Col. (m)	(548,838,830)	DA	(1,153,846)
11	Distribution	Worksheet 1, Line 12, Col. (e)	(1,310,910,835)	NA	0
12	Electric General	Worksheet 1, Line 12, Col. (f)	(101,574,528)	S19 W/S 4.839%	(4,915,086)
13	Electric Intangible	Worksheet 1, Line 12, Col. (b)	(22,823,282)	S19 W/S 4.839%	(1,104,395)
14	Common	Worksheet 1, Line 12, Col. (g)	(200,000,000)	CP*S19 W/S 3.902%	(7,804,741)
15	TOTAL ACCUM. DEPRECIATION	(Sum of Lines 9 through 14)	(2,259,000,477)		(14,978,069)
16	NET PLANT IN SERVICE				
16	Production	(Line 1 - Line 9)	85,102,658		0
17	Transmission	(Line 2 - Line 10)	965,249,277		508,846,154
18	Distribution	(Line 3 - Line 11)	1,718,586,177		0
19	General	(Line 4 - Line 12)	83,076,099		4,019,966
20	Intangible	(Line 5 - Line 13)	4,431,219		214,422
21	Common	(Line 6 - Line 14)	516,958,242		20,173,627
22	TOTAL NET PLANT	(Sum of Lines 16 through 21)	3,373,403,672		533,254,169
23	CWIP (Note O)	Worksheet 1, Line 18, Col. (g)	NA		400,000,000
24	ABANDONNED PLANT	Worksheet 1, Line 18, Col. (j)	NA		0
25	ACCUMULATED DEFERRED INCOME TAXES (Note B)				
25	Accumulated Deferred Income Taxes	Worksheet 2a, Line 11, Col. (g)	NA		(9,217,114)
26	Excess Accumulated Deferred Income Taxes	3-EDIT	NA		0
27	TOTAL ACCUMULATED DEFERRED INCOME TAXES	(Line 25 + Line 26)			(9,217,114)
28	LAND HELD FOR FUTURE USE	Worksheet 1, Line 18, Col. (h) or (i)	59,682,373	DA	0
29	OTHER RATE BASE ITEMS				
29	Cash Working Capital (Note C)	(Line 50 times 45/360)	NA		2,693,876
30	Materials & Supplies - Transmission	Worksheet 1, Line 18, Col. (k)	434,084	S19P 33.684%	146,215
31	Materials and Supplies - Electric and Gas -				
31	Assigned to Construction	Worksheet 1, Line 18, Col. (l)	19,556,864	CP*GPE 8.536%	1,669,298
32	Prepayments	Worksheet 1, Line 18, Col. (m)	42,575,942	CP*GPE 8.536%	3,634,117
33	Regulatory Asset (Note E)	Worksheet 1, Line 18, Col. (n)	NA	DA	10,000,000
34	Unfunded Liabilities	Worksheet 1, Line 18, Col. (q)	(16,507,805)	CP*S19 W/S 3.902%	(644,196)
35	TOTAL OTHER RATE BASE ITEMS	(Sum of Lines 29 through 34)	NA		17,499,310
36	RATE BASE	(Line 22 + Line 23 + Line 24 + Line 27 + Line 28 + Line 35)	NA		941,536,366

Formula Rate - Non-Levelized

Rate Formula Template  
Utilizing FERC Form 1 Data

Actual for the 12 Months Ended 12/31/2021

New York State Electric and Gas Corporation

Appendix A: Annual Transmission Revenue Requirement for Schedule 19 Projects

(1)	(2)	(3)	(4)	(5)
Line	ANNUAL TRANSMISSION REVENUE REQUIREMENT	Form No. 1 or Transmission Formula Rate Reference	Company Total (where applicable)	Schedule 19 Projects
No.			Allocator (Note K)	(Col 3 times Col 4)
	OPERATIONS AND MAINTENANCE EXPENSES (Note M)			
37	Transmission - Direct Assign	320-323.112.b fn	DA	0
38	Transmission - Allocate	320-323.112.b fn		47,424,045
39	Less: EPRI Dues in Account 566	352-353		0
40	Subtotal - Transmission to Allocate	Line 38 - Line 39	S19P	15,974,145
41	Electric A&G	320-323.197.b	33.684%	132,293,710
42	Less: EPRI Dues in A&G	352-353		0
43	Less: Regulatory Commission Expenses	320-323.189.b		5,088,374
44	Less: Property Insurance	320-323.185.b		1,725,044
45	Less: Account 930.2 Items	Note L		14,002,669
46	Adjusted Electric A&G	Line 41 - Line 42 - Line 43 - Line 44 - Line 45	S19 W/S	5,394,287
47	Plus: Transmission Related Regulatory Expenses	350-351 fn	S19P	0
48	Plus: Direct Assigned Regulatory Commission Expenses	350-351 fn	DA	0
49	Plus: Property Insurance	320-323.185.b	GPE	182,580
50	TOTAL O&M	Sum of Lines 37 through 49		21,551,012
	DEPRECIATION AND AMORTIZATION EXPENSE			
51	Transmission	336.7.f, fn	DA	15,000,000
52	Electric General	336.10 f	S19 W/S	243,070
53	Electric Intangible		S19 W/S	42,746
54	Common Electric	336.11.f	S19 W/S	1,396,029
55	Amortization of Cost of Removal Regulatory Asset	232	DA	0
56	Amortization of Abandoned Plant	230a fn	DA	0
57	TOTAL DEPRECIATION	Sum of Lines 51 through 56		16,681,845
	TAXES OTHER THAN INCOME TAXES			
	LABOR RELATED			
58	Payroll (Note D)	262-263.9+262-263.17. l	CP*S19 W/S	540,598
	PLANT RELATED			
60	Real Estate	262-263.5.l	CP*GPE	8,815,127
61	Franchise Tax	262-263	CP*GPE	0
62	Gross Receipts Tax		Note N	1,590,000
63	Other (Note E)	262-263		0
64	TOTAL OTHER TAXES	Sum of Lines 58 and 60 through 63		10,945,725
	INCOME TAXES (Note F)			
65	Composite Tax Rate = T	$T = 1 - \frac{((1 - \text{SIT}) * (1 - \text{FIT}))}{(1 - \text{SIT} * \text{FIT} * p)}$		26.1350%
66	Gross-up Factor	$1 / (1 - T)$		1.3538
67	Income Tax Factor	$T / (1 - T)$		0.3538
68	Amortization of Investment Tax Credit (enter negative)	266-267.11. f, fn	DA	0
69	Amortization of Excess Deferred Income Taxes (enter negative)	Worksheet 3	DA	0
70	Tax Effect of Permanent Differences	Worksheet 4, Line 2, Col. (e)	DA	130,675
71	Income Tax Calculation	(Line 77 * Line 67)	Calc	15,792,908
72	ITC adjustment	(Line 68 * Line 66)	Calc	0
73	Amortization of Excess Deferred Income Tax Adjustment	(Line 69 * Line 66)	Calc	0
74	Permanent Differences Tax Adjustment	(Line 70 * Line 66)	Calc	176,911
75	TOTAL INCOME TAXES	Sum of Lines 71 through 74		15,969,819
	RETURN (Note H)			
76	Debt	Worksheet 5, Line 12, Col. (i)	Calc	15,025,418
77	Common Equity and Preferred Stock	Worksheet 5, Line 12, Col. (f)	Calc	44,635,285
78	TOTAL RETURN	Sum of Lines 76 through 77		59,660,703
	ANNUAL TRANSMISSION REVENUE REQUIREMENT BEFORE REVENUE CREDITS	(Line 50 + Line 57 + Line 64 + Line 75 + Line 78)		124,809,103
80	REVENUE CREDITS	(Line 104)		(100,000)
	ANNUAL TRANSMISSION REVENUE REQUIREMENT (ATU)	(Line 79 + Line 80)		124,709,103
82	CORRECTIONS	Worksheet 9, Line 11, Col. (b)		0
	ANNUAL TRUE-UP ADJUSTMENT (ATU) (Note G)	Worksheet 7, Line 7		0
84	ATRR PLUS ATU AND CORRECTIONS	Sum of Lines 81 through 83		124,709,103

Formula Rate - Non-Levelized

Rate Formula Template  
Utilizing FERC Form 1 DataNew York State Electric and Gas Corporation  
Appendix A: Annual Transmission Revenue Requirement for Schedule 19 Projects**SUPPORTING CALCULATIONS AND NOTES**

Line

No.	<b>TRANSMISSION PLANT ALLOCATOR</b>			
85	Electric Plant	(Line 99)	5,257,504.055	
86	Total Transmission Plant	(Line 2)	1,514,088.107	
87	Schedule 19 Projects	(Line 2)	510,000.000	
88	Schedule 19 Projects Plant Allocator	(Line 87 / Line 86)	33.684% S19P	
89	Transmission Plant Allocator	(Line 86 / Line 85)	28.799% TP	
<b>ELECTRIC WAGE AND SALARY ALLOCATOR</b>				
90	Production	354-355.20.b	1,181,134	
91	Transmission	354-355.21.b	15,393,757	
92	Distribution	354-355.23.b	65,783,273	
93	Other	354-355.24.25.26.b	24,798,039	
94	Total	Sum of Lines 90 through 93	107,156,203	
95	Transmission Wage and Salary Allocator	(Line 91 / Line 94)	14.366% T W/S	
96	Schedule 19 Projects Wages and Salaries (transmission wages and salary times S19P)	(Line 91 * Line 88)	5,185,178	
97	Allocator	(Line 96 / Line 94)	4.839% S19 W/S	
98	Schedule 19 Projects Transmission Wage and Salary Allocator	(Line 96 / Line 91)	33.68% S19 W/S T	
<b>ELECTRIC COMMON PLANT ALLOCATOR (CE)</b>				
99	Electric	200-201.3.c+6.c	5,257,504.055	% Electric
100	Gas	200-201.3.d+6.d	1,261,742,919	CP= 80.646%
101	Total (excludes common)	(Line 99 + Line 100)	6,519,246,974	

**REVENUE CREDITS**

102	Account 454, Rent from Electric Property (Note I)	300-301, fn	100,000
103	Account 456, Other Electric Revenue (Note J)	300-301, fn	-
104	Total Revenue Credits		100,000

Formula Rate - Non-Levelized

Rate Formula Template  
Utilizing FERC Form 1 Data

Actual for the 12 Months Ended 12/31/2021

New York State Electric and Gas Corporation  
Appendix A: Annual Transmission Revenue Requirement for Schedule 19 Projects

General Note: References to pages in this transmission formula rate are indicated as: (page#, line#, col.#)  
References to data from FERC Form 1 are indicated as: #.y.x (page, line, column)

Note

A	All amounts shown are based on five quarter averages which are contained in footnotes to the FF1 (with the following exceptions: CWC in line 28 which is based upon one-eighth of O&M, Accumulated Deferred Income Taxes in line 24 which are a combination of beginning and end of year averages and proration amounts, and Excess Accumulated Deferred Income Taxes in line 25 which are beginning/ending year averages).		
B	The maximum accumulated deferred tax offset to rate base is calculated in accordance with the proration formula prescribed by IRS regulation section 1.167(l)-1(h)(6).		
C	Cash Working Capital for Schedule 19 Projects equals one-eighth (45 days) of O&M allocated to Schedule 19 Projects.		
D	Includes only FICA and unemployment taxes.		
E	Includes removal costs related to assets removed to make room for Schedule 19 Projects which are amortized over 10 years to FERC Account 407.3, subject to FERC approval under a future, limited Section 205 filing.		
F	Below are the currently effective income tax rate, where FIT is the Federal income tax rate; SIT is the State income tax rate, and p = "the percentage of federal income tax deductible for state income taxes". If the utility is taxed in more than one state it must attach a work paper showing the name of each state and how the blended or composite SIT was developed. Furthermore, a utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) multiplied by (1/1-T). Any Excess or Deficient Deferred Income Taxes reduce or increase income tax expense by the amount of the expense multiplied by (1/1-T).		
	Inputs Required:	FIT =	21.00%
		SIT =	6.50% (State Income Tax Rate or Composite SIT)
		p =	0.00% (percent of federal income tax deductible for state purposes)
G	Include ATU for Year N with Projected ATRR for Year N+2		
H	Debt cost rate = long-term interest / long term debt. Preferred cost rate = preferred dividends / preferred outstanding. The ROE is determined by the New York Public Utilities Commission and capped by the ROE determined by FERC. The ROE Cap will be supported in the original filing and no change in ROE Cap may be made absent a filing with FERC.		
I	Includes revenue related to Schedule 19 Projects only, such as pole attachments, rentals and special use.		
J	Includes revenue related to Schedule 19 Projects only.		
K	The following acronyms are used for allocators:		
	CP= common plant allocator (allocate common plant and common expenses to total electric)		
	DA= DA=direct assignment (the item is direct assigned to Schedule 19 Projects)		
	GP= gross plant allocator (allocated Schedule 19 Projects gross plant as % of electric and common plant)		
	GPE= gross electric plant allocator (allocated Schedule 19 Projects gross plant as % of total electric gross plant)		
	S19P= Schedule 19 Projects plant allocator (Schedule 19 Projects gross plant as % of total transmission gross plant)		
	S19 W/S= Schedule 19 Projects wage and salary allocator (Schedule 19 Projects wages and salaries as % of total electric wages and salaries)		
	S19 W/ST= Schedule 19 Projects wages and salary allocator for transmission (Schedule 19 Projects wages and salaries as a % of transmission wages and salaries)		
	NA= not applicable (the item is not applicable to Schedule 19 Projects ATRR)		
	TPE= transmission plant allocator (transmission plant as % of electric)		
	T W/S= transmission wages and salaries as % of electric wages and salaries		
L	NYSEG will exclude items in Account 930.2 shown on FF1 page 335 that are greater than \$1 M and not directly or indirectly related to its transmission assets.		
M	NYSEG either will direct assign O&M expense that have been tracked for the Schedule 19 Projects or allocate transmission O&M to the Schedule 19 Projects, but not both.		
N	In accordance with the NYISO OATT, Section 14.1.5, the gross receipts tax included in Schedule 19 Project ATRR is as follows:		
		Total	
	Gross receipt tax rate	1.0000%	
	Revenue requirement	159,000,000	Estimate of Line 84
	Gross Receipts Tax	1,590,000	
O	May include CWIP in rate base as authorized by FERC.		

New York State Electric and Gas Corporation  
Workpaper 1: Average Balances for Most Rate Base Items  
Actual for the 12 Months Ended 12/31/2021

Five Quarter Averages		Gross Operating Property													(n)
(a1)	(a2)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)		
Schedule 19 Projects															
Month	Year	Electric Intangible	Production	Transmission	Distribution	Electric General	Common	Project 1	Project 2	Project 3	Project 4	Total			
FF1 Reference		204-207, line 5 fn	204-207, lines 16, 25, 35 and 46 fn	204-207, line 58 fn	204-207, Line 75 fn	204-207, 1. 99 fn	355 fn	204-207, line 58 fn	204-207, line 58 fn	204-207, line 58 fn	204-207, line 58 fn	204-207, line 58 fn	Sum of Columns (h) through (l)		
Appendix A Line #		5		2	3	4	6	2	2	2	2	2	2		
December	2020	27,254,501	159,955,660	1,514,088,107	3,029,497,012	184,650,627	716,958,242	500,000,000	-	-	-	-	500,000,000		
March	2021	27,254,501	159,955,660	1,514,088,107	3,029,497,012	184,650,627	716,958,242	500,000,000	-	-	-	-	500,000,000		
June	2021	27,254,501	159,955,660	1,514,088,107	3,029,497,012	184,650,627	716,958,242	500,000,000	-	-	-	-	500,000,000		
September	2021	27,254,501	159,955,660	1,514,088,107	3,029,497,012	184,650,627	716,958,242	500,000,000	-	-	-	-	500,000,000		
December	2021	27,254,501	159,955,660	1,514,088,107	3,029,497,012	184,650,627	716,958,242	500,000,000	50,000,000	-	-	-	550,000,000		
Average		27,254,501	159,955,660	1,514,088,107	3,029,497,012	184,650,627	716,958,242	500,000,000	10,000,000	-	-	-	510,000,000		
Note: Exclude Asset Retirement Obligations															
Accumulated Depreciation															
Schedule 19 Projects															
Month	Year	Electric Intangible	Production	Transmission	Distribution	Electric General	Common	Project 1	Project 2	Project 3	Project 4	Total			
FF1 Reference		200-201.21c	219, lines. 20-24 fn	219, line 25 fn	219, line 26 fn	219, line 28 fn	355 fn	219, line 25 fn	219, line 25 fn	219, line 25 fn	219, line 25 fn	219, line 25 fn	Sum of Columns (h) through (l)		
Appendix A Line #		13	9	10	11	12	14	10	10	10	10	10	10		
December	2020	(22,823,282)	(74,853,002)	(548,838,830)	(1,310,910,835)	(101,574,528)	(200,000,000)	(1,000,000)	-	-	-	-	(1,000,000)		
March	2021	(22,823,282)	(74,853,002)	(548,838,830)	(1,310,910,835)	(101,574,528)	(200,000,000)	(2,000,000)	-	-	-	-	(2,000,000)		
June	2021	(22,823,282)	(74,853,002)	(548,838,830)	(1,310,910,835)	(101,574,528)	(200,000,000)	(3,000,000)	-	-	-	-	(3,000,000)		
September	2021	(22,823,282)	(74,853,002)	(548,838,830)	(1,310,910,835)	(101,574,528)	(200,000,000)	(4,000,000)	-	-	-	-	(4,000,000)		
December	2021	(22,823,282)	(74,853,002)	(548,838,830)	(1,310,910,835)	(101,574,528)	(200,000,000)	(5,000,000)	-	-	-	-	(5,000,000)		
Average		(22,823,282)	(74,853,002)	(548,838,830)	(1,310,910,835)	(101,574,528)	(200,000,000)	(3,000,000)	-	-	-	-	(1,153,846)		
Miscellaneous Rate Base Items															
Month	Year	Schedule 19 Projects - CWIP					Total	Transmission Land Held for Future Use	Schedule 19 Projects - Land Held for Future Use	Schedule 19 Projects - Abandoned Plant	Materials & Supplies - Transmission	Materials and Supplies - Assigned to Construction (Electric and Gas)	Prepayments	Regulatory Asset - Removal Costs	
		Project 1	Project 2	Project 3	Project 4										
		FF1 Reference		216 fn	216 fn	216 fn		216 fn	216 fn	214, line 17 fn	214, line TBD	230b, line TBD	227, Line 8 fn	227, line 5 fn	110-111, line 57 fn
Appendix A Line #		23	23	23	23	23	28	28	24	30	31	32	33		
December	2020	-	250,000,000	100,000,000	50,000,000	0	400,000,000	59,682,373	-	-	434,084	19,556,864	42,575,942	10,000,000	
March	2021	-	250,000,000	100,000,000	50,000,000	0	400,000,000	59,682,373	-	-	434,084	19,556,864	42,575,942	10,000,000	
June	2021	-	250,000,000	100,000,000	50,000,000	0	400,000,000	59,682,373	-	-	434,084	19,556,864	42,575,942	10,000,000	
September	2021	-	250,000,000	100,000,000	50,000,000	0	400,000,000	59,682,373	-	-	434,084	19,556,864	42,575,942	10,000,000	
December	2021	-	250,000,000	100,000,000	50,000,000	0	400,000,000	59,682,373	-	-	434,084	19,556,864	42,575,942	10,000,000	
Average		-	250,000,000	100,000,000	50,000,000	-	400,000,000	59,682,373	-	-	434,084	19,556,864	42,575,942	10,000,000	
Unfunded Liabilities - Account 242															
Month	Year	Accrued Vacation		Other		Total									
FF1 Reference		NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
December	2020	(2,000,000)	-	-	-	(2,000,000)	-	-	-	-	-	-	-	-	
March	2021	(2,000,000)	-	-	-	(2,000,000)	-	-	-	-	-	-	-	-	
June	2021	(2,000,000)	-	-	-	(2,000,000)	-	-	-	-	-	-	-	-	
September	2021	(2,000,000)	-	-	-	(2,000,000)	-	-	-	-	-	-	-	-	
December	2021	(2,000,000)	-	-	-	(2,000,000)	-	-	-	-	-	-	-	-	
Average		(2,000,000)	-	-	-	(2,000,000)	-	-	-	-	-	-	-	-	

New York State Electric and Gas Corporation  
Worksheet 2a: Accumulated Deferred Income Taxes (ADIT) Worksheet - Current Year  
Actual for the 12 Months Ended 12/31/2021

(a)	(b)	(c) Schedule 19 Projects	(d) Plant Related	(e) Labor Related	(f)	(g) Total ADIT	(h)
	Nonprorated Items						
1	Current Year						
2	ADIT-190	0	0	0			(Line 23)
3	ADIT-282	0	0	0			(Line 29)
4	ADIT-283	0	0	0			(Line 37)
5	Subtotal	0	0	0			(Line 1 + Line 2 + Line 3)
6	Schedule 19 Projects W/S Allocator			4.839%			Appendix A
7	GP Allocator		9.734%				Appendix A
8	End of Year ADIT	0	0	0		0	(Line 4 * Line 5 or Line 6)
9	End of Previous Year ADIT	0	0	0		0	Worksheet 2b, Line 7
10	Average Beginning and End of Year	0	0	0		0	(Average of Line 7 + Line 8)
11	Prorated ADIT					(9,217,114)	From Worksheet 2c, Line 14, Col. (r) or Worksheet 2d, Line 13, Col. (n)
	Total ADIT					(9,217,114)	Line 9 + Line 10

In filling out this attachment, a full and complete description of each item and justification for the allocation to Columns B-G and each separate ADIT item will be listed, dissimilar items with amounts exceeding \$100,000 will be listed separately;

(a)	(b)	(c)	(d) Schedule 19 Projects Related	(e) Plant Related	(f) Labor Related	(g)	(h)
ADIT-190 - Includes Only Items Applicable to Schedule 19 Projects	Total	Excluded					Justification
11		0	0	0	0		
12		0	0	0	0		
13		0	0	0	0		
14		0	0	0	0		
15		0	0	0	0		
16		0	0	0	0		
17		0	0	0	0		
18		0	0	0	0		
19		0	0	0	0		
20		0	0	0	0		
21		0	0	0	0		
22		0	0	0	0		
23	Total	0	0	0	0		

Instructions for Account 190:

- ADIT items related only to Schedule 19 Projects are directly assigned to Column D
- ADIT items related to Plant are included in Column E
- ADIT items related to Labor are included in Column F
- Deferred income taxes arise when items are included in taxable income in different periods than they are included in book income.  
If the item giving rise to the ADIT is not included in the annual transmission revenue requirement ("ATRR"), the associated ADIT amount shall be excluded.

New York State Electric and Gas Corporation  
Worksheet 2a: Accumulated Deferred Income Taxes (ADIT) Worksheet - Current Year

(a)	(b)	(c)	(d) Schedule 19 Projects Related	(e) Plant Related	(f) Labor Related	(g)	(h)
ADIT- 282 - Includes Only Items Applicable to Schedule 19 Projects	Total	Excluded					Justification
24	Depreciation - Liberalized Depreciation - Prorated	-9,217,114	0	-9,217,114	0	0	Worksheet 2c, Line 14, Col. (r)
25		0					
26		0					
27		0					
28		0	0	0	0		
29	Total	-9,217,114	0	-9,217,114	0	0	

Instructions for Account 282:

- ADIT items related only to Schedule 19 Projects are directly assigned to Column D
- ADIT items related to Plant are included in Column E
- ADIT items related to Labor are included in Column F
- Deferred income taxes arise when items are included in taxable income in different periods than they are included in book income.  
If the item giving rise to the ADIT is not included in the annual transmission revenue requirement ("ATRR"), the associated ADIT amount shall be excluded.

New York State Electric and Gas Corporation  
Worksheet 2a: Accumulated Deferred Income Taxes (ADIT) Worksheet - Current Year

(a)	(b)	(c)	(d) Schedule 19 Projects Related	(e) Plant	(f) Labor	(g)	(h)
ADIT-283 - Includes Only Items Applicable to Schedule 19 Projects	Total	Excluded					Justification
30	Cost of Removal	0	0	0	0		
31		0	0				
32		0					
33		0					
34		0					
35		0					
36		0					
37	Total	0	0	0	0		

Instructions for Account 283:

- ADIT items related only to Schedule 19 Projects are directly assigned to Column D
- ADIT items related to Plant are included in Column E
- ADIT items related to Labor are included in Column F
- Deferred income taxes arise when items are included in taxable income in different periods than they are included in book income.  
If the item giving rise to the ADIT is not included in the annual transmission revenue requirement ("ATRR"), the associated ADIT amount shall be excluded.

New York State Electric and Gas Corporation  
Worksheet 2b: Accumulated Deferred Income Taxes (ADIT) Worksheet - Prior Year  
Actual for the 12 Months Ended 12/31/2021

(a)	(b)	(c) Schedule 19 Projects	(d) Plant Related	(e) Labor Related	(f)	(g) Total ADIT	(h)
	Nonprorated Items						
	Prior Year						
1	ADIT-190	0	0	0			(Line 20)
2	ADIT-282	0	0	0			(Line 26)
3	ADIT-283	0	0	0			(Line 34)
4	Subtotal	0	0	0			(Line 1 + Line 2 + Line 3)
5	Schedule 19 Projects W/S Allocator			4.839%			Appendix A
6	GP Allocator		9.734%				Appendix A
7	Prior Year ADIT	0	0	0		0	(Line 4 * Line 5 or Line 6)

In filling out this attachment, a full and complete description of each item and justification for the allocation to Columns B-G and each separate ADIT item will be listed, dissimilar items with amounts exceeding \$100,000 will be listed separately;

(a)	(b)	(c)	(d) Schedule 19 Projects Related	(e) Plant Related	(f) Labor Related	(g)	(h)
ADIT-190 - Includes Only Items Applicable to Schedule 19 Projects	Total	Excluded					Justification
8		0	0	0	0		
9		0	0	0	0		
10		0	0	0	0		
11		0	0	0	0		
12		0	0	0	0		
13		0	0	0	0		
14		0	0	0	0		
15		0	0	0	0		
16		0	0	0	0		
17		0	0	0	0		
18		0	0	0	0		
19		0	0	0	0		
20	Total	0	0	0	0		

Instructions for Account 190:

- ADIT items related only to Schedule 19 Projects are directly assigned to Column D
- ADIT items related to Plant are included in Column E
- ADIT items related to Labor are included in Column F
- Deferred income taxes arise when items are included in taxable income in different periods than they are included in book income.  
If the item giving rise to the ADIT is not included in the annual transmission revenue requirement ("ATRR"), the associated ADIT amount shall be excluded.

New York State Electric and Gas Corporation  
Worksheet 2b: Accumulated Deferred Income Taxes (ADIT) Worksheet - Prior Year

(a)	(b)	(c)	(d) Schedule 19 Projects Related	(e) Plant Related	(f) Labor Related	(g)	(h)
ADIT-282 - Includes Only Items Applicable to Schedule 19 Projects	Total	Excluded					Justification
21	Depreciation - Liberalized Depreciation - Prorated	-4,980,688	0	-4,980,688	0	0	Worksheet 2d, Line 13, Col. (n)
22		0	0	0	0	0	
23		0	0	0	0	0	
24		0	0	0	0	0	
25		0	0	0	0	0	
26	Total	-4,980,688	0	-4,980,688	0	0	

Instructions for Account 282:

- ADIT items related only to Schedule 19 Projects are directly assigned to Column D
- ADIT items related to Plant are included in Column E
- ADIT items related to Labor are included in Column F
- Deferred income taxes arise when items are included in taxable income in different periods than they are included in book income.  
If the item giving rise to the ADIT is not included in the annual transmission revenue requirement ("ATRR"), the associated ADIT amount shall be excluded.

New York State Electric and Gas Corporation  
Worksheet 2b: Accumulated Deferred Income Taxes (ADIT) Worksheet - Prior Year

(a)	(b)	(c)	(d) Schedule 19 Projects Related	(e) Plant Related	(f) Labor Related	(g)	(h)
ADIT-283 - Includes Only Items Applicable to Schedule 19 Projects	Total	Excluded					Justification
27	Cost of Removal	0	0	0	0	0	
28		0	0	0	0	0	
29		0	0	0	0	0	
30		0	0	0	0	0	
31		0	0	0	0	0	
32		0	0	0	0	0	
33		0	0	0	0	0	
34	Total	0	0	0	0	0	

Instructions for Account 283:

- ADIT items related only to Schedule 19 Projects are directly assigned to Column D
- ADIT items related to Plant are included in Column E
- ADIT items related to Labor are included in Column F
- Deferred income taxes arise when items are included in taxable income in different periods than they are included in book income.  
If the item giving rise to the ADIT is not included in the annual transmission revenue requirement ("ATRR"), the associated ADIT amount shall be excluded.

**New York State Electric and Gas Corporation**  
**Worksheet 2c: Accumulated Deferred Income Taxes - Prorated Projection**  
**Actual for the 12 Months Ended 12/31/2021**

Debit amounts are shown as positive and credit amounts are shown as negative.

Rate Year =

Account 282 (Note A)

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)
	Beginning Balance & Monthly Changes	Year	Days in the Month	Number of Days Remaining in Year After Current Month	Total Days in the Projected Rate Year	Weighting for Projection (d)/(e)	Beginning Balance/ Monthly Amount/ Ending Balance	Schedule 19 Projects	Transmission Proration (f) x (h)	Plant Related	Gross Plant Allocator (Appendix A)	Plant Allocation * (k)	Plant Proration (f) x (l)	Labor Related (General and Common)	W/S Allocator (Appendix A)	Labor Allocation (n) * (o)	Labor Proration (f) x (p)	Total Transmission Prorated Amount (i) + (m) + (q)
Line #																		
1	December 31st balance of Prorated ADIT (Note B)	2020				100.00%	-4,980,688	-4,980,688	-4,980,688									(4,980,688)
2	January	2021	31	335	365	91.78%	-1,000,000	-750,000	-688,356	0	9.734%	0	0	-250,000	4.839%	-12,097	-11,103	(699,459)
3	February	2021	28	307	365	84.11%	-1,000,000	-750,000	-630,822	0	9.734%	0	0	-250,000	4.839%	-12,097	-10,175	(640,997)
4	March	2021	31	276	365	75.62%	-1,000,000	-750,000	-567,123	0	9.734%	0	0	-250,000	4.839%	-12,097	-9,148	(576,271)
5	April	2021	30	246	365	67.40%	-1,000,000	-750,000	-505,479	0	9.734%	0	0	-250,000	4.839%	-12,097	-8,153	(513,633)
6	May	2021	31	215	365	58.90%	-1,000,000	-750,000	-441,781	0	9.734%	0	0	-250,000	4.839%	-12,097	-7,126	(448,907)
7	June	2021	30	185	365	50.68%	-1,000,000	-750,000	-380,137	0	9.734%	0	0	-250,000	4.839%	-12,097	-6,131	(386,268)
8	July	2021	31	154	365	42.19%	-1,000,000	-750,000	-316,438	0	9.734%	0	0	-250,000	4.839%	-12,097	-5,104	(321,542)
9	August	2021	31	123	365	33.70%	-1,000,000	-750,000	-252,740	0	9.734%	0	0	-250,000	4.839%	-12,097	-4,077	(256,816)
10	September	2021	30	93	365	25.48%	-1,000,000	-750,000	-191,096	0	9.734%	0	0	-250,000	4.839%	-12,097	-3,082	(194,178)
11	October	2021	31	62	365	16.99%	-1,000,000	-750,000	-127,397	0	9.734%	0	0	-250,000	4.839%	-12,097	-2,055	(129,452)
12	November	2021	30	32	365	8.77%	-1,000,000	-750,000	-65,753	0	9.734%	0	0	-250,000	4.839%	-12,097	-1,061	(66,814)
13	December	2021	31	1	365	0.27%	-1,000,000	-750,000	-2,055	0	9.734%	0	0	-250,000	4.839%	-12,097	-33	(2,088)
14	Prorated Balance		365				-16,980,688	-13,980,688	-9,149,867	0			0	-3,000,000			-67,247	(9,217,114)

Note A: The calculations of ADIT amounts resulting from liberalized depreciations are performed in accordance with the proration requirements of Treasury Regulation Section 1.167(l)-1(h)(6).

Note B: From Worksheet 2d-Prior Year ADIT Proration Actual

New York State Electric and Gas Corporation  
Worksheet 2d: Accumulated Deferred Income Taxes - Actual Proration  
Actual for the 12 Months Ended 12/31/2021

Year = 2021  
Debit amounts are shown as positive and credit amounts are shown as negative.

Account 282 (Note A)

(a)	Days in Period			Projection - Proration of Projected Deferred Tax			
	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Month	Days in the Month	Number of Days Remaining in Year After Month's Accrual of Deferred Taxes	Total Days in Projected Rate Year (Line 14, Col b)	Proration Percentage (c)/(d)	Projected Monthly Activity	Prorated Amount * (f)	Prorated Projected Balance of (g)
1 December 31st balance							-2,000,000
2 January	31	335	365	91.78%	-208,333	-191,210	-2,191,210
3 February	28	307	365	84.11%	-208,333	-175,228	-2,366,438
4 March	31	276	365	75.62%	-208,333	-157,534	-2,523,973
5 April	30	246	365	67.40%	-208,333	-140,411	-2,664,384
6 May	31	215	365	58.90%	-208,333	-122,717	-2,787,100
7 June	30	185	365	50.68%	-208,333	-105,594	-2,892,694
8 July	31	154	365	42.19%	-208,333	-87,900	-2,980,594
9 August	31	123	365	33.70%	-208,333	-70,205	-3,050,799
10 September	30	93	365	25.48%	-208,333	-53,082	-3,103,881
11 October	31	62	365	16.99%	-208,333	-35,388	-3,139,269
12 November	30	32	365	8.77%	-208,333	-18,265	-3,157,534
13 December	31	1	365	0.27%	-208,333	-571	-3,158,105
14 Total	365				-2,500,000	-1,158,105	

Actual Activity - Proration of Projected Deferred Tax Activity and Averaging of Other Deferred Tax Activity					
(i)	(j)	(k)	(l)	(m)	(n)
Actual Monthly Activity (table below, grand total)	Difference between projected monthly and actual monthly activity (f) - (i)	Preserve proration when actual monthly and projected monthly activity are either both increases or decreases. (See Note A)	Difference between projected and actual activity when actual and projected activity are either both increases or decreases. (See Note A)	Actual activity (Col l) when projected activity is an increase while actual activity is a decrease OR projected activity is a decrease while actual activity is an increase. (See Note A)	Balance reflecting proration or averaging + (k) + ((l) + (m))/2
-512,097	-303,764	-191,210	-303,764	0	-2,000,000
-512,097	-303,764	-175,228	-303,764	0	-2,343,092
-512,097	-303,764	-157,534	-303,764	0	-2,670,202
-512,097	-303,764	-140,411	-303,764	0	-2,979,618
-512,097	-303,764	-122,717	-303,764	0	-3,271,911
-512,097	-303,764	-105,594	-303,764	0	-3,546,510
-512,097	-303,764	-87,900	-303,764	0	-3,803,986
-512,097	-303,764	-70,205	-303,764	0	-4,043,767
-512,097	-303,764	-53,082	-303,764	0	-4,265,855
-512,097	-303,764	-35,388	-303,764	0	-4,470,819
-512,097	-303,764	-18,265	-303,764	0	-4,658,089
-512,097	-303,764	-571	-303,764	0	-4,828,236
-6,145,167	-3,645,167	-1,158,105	-3,645,167	0	-4,980,688

Schedule 19 Projects	Gross Plant		Labor Related		W/S Allocator (Appendix A)	Total (q) * (h)	Grand Total (b) + (f) + (i)
	Plant Related	Allocator (Appendix A)	Total (d) * (e)	(General and Common)			
Actual Monthly Activity							
15 January	-500,000	0	9.734%	0	-250,000	4.839%	-12,097
16 February	-500,000	0	9.734%	0	-250,000	4.839%	-12,097
17 March	-500,000	0	9.734%	0	-250,000	4.839%	-12,097
18 April	-500,000	0	9.734%	0	-250,000	4.839%	-12,097
19 May	-500,000	0	9.734%	0	-250,000	4.839%	-12,097
20 June	-500,000	0	9.734%	0	-250,000	4.839%	-12,097
21 July	-500,000	0	9.734%	0	-250,000	4.839%	-12,097
22 August	-500,000	0	9.734%	0	-250,000	4.839%	-12,097
23 September	-500,000	0	9.734%	0	-250,000	4.839%	-12,097
24 October	-500,000	0	9.734%	0	-250,000	4.839%	-12,097
25 November	-500,000	0	9.734%	0	-250,000	4.839%	-12,097
26 December	-500,000	0	9.734%	0	-250,000	4.839%	-12,097

Note A: The calculations of ADIT amounts resulting from liberalized depreciations are performed in accordance with the proration requirements of Treasury Regulation Section 1.167(l)-(h)(6). Differences attributable to over-projection of ADIT in the annual projection will result in a proportionate reversal of the projected prorated ADIT activity to the extent of the over-projection. Differences attributable to under-projection of ADIT in the annual projection will result in an adjustment to the projected prorated ADIT activity by the difference between the projected monthly activity and the actual monthly activity. However, when projected monthly ADIT activity is an increase and actual monthly ADIT activity is a decrease, actual monthly ADIT activity will be used. Likewise, when projected monthly ADIT activity is a decrease and actual monthly ADIT activity is an increase, actual monthly ADIT activity will be used.

**New York State Electric and Gas Corporation**  
**Worksheet 3: Excess Accumulated Deferred Income Taxes**  
**Resulting from Income Tax Rate Changes (Note A)**  
**Actual for the 12 Months Ended 12/31/2021**

Debit amounts are shown as positive and credit amounts are shown as negative.

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
Line Description	ADIT Balances Prior to Remeasurement	ADIT Balances After Remeasurement (Note C) Column (b) * Line 43	Deficient or Excess Accumulated Deferred Taxes at December 31, Column (b) - Column (c)	Adjusted Deficient or Excess Accumulated Deferred Taxes Column (d) + Column (e)	Adjusted Deficient or Excess Accumulated Deferred Taxes Column (d) + Column (e)	Schedule 19 Projects Allocation Factors (Note B) Column (f) + Column (g)	Allocated to Schedule 19 Projects Column (f) + Column (g)	Protected (P) Unprotected Property (UP) Other (UO) (Note B) Column (h) + Column (i)	Amortization Year Column (j) - Column (k)	Balance at December 31 Column (l) - Column (m)	Amortization Year Column (j) - Column (k)	Balance at December 31 Column (l) - Column (m)	Amortization Year Column (j) - Column (k)	Balance at December 31 Column (l) - Column (m)
<b>Deficient Deferred Income Taxes - amortized to 410.1</b>														
FERC Account 190	0	0	0	0	0	0.000%	0	0	0	0	0	0	0	0
1	0	0	0	0	0	0.000%	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0.000%	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0.000%	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0.000%	0	0	0	0	0	0	0	0
5	0	0	0	0	0	0.000%	0	0	0	0	0	0	0	0
6 Total FERC Account 190	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FERC Account 282														
7	0	0	0	0	0	0.000%	0	0	0	0	0	0	0	0
8	0	0	0	0	0	0.000%	0	0	0	0	0	0	0	0
9	0	0	0	0	0	0.000%	0	0	0	0	0	0	0	0
10	0	0	0	0	0	0.000%	0	0	0	0	0	0	0	0
11 Total Account 282	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FERC Account 283														
12	0	0	0	0	0	0.000%	0	0	0	0	0	0	0	0
13	0	0	0	0	0	0.000%	0	0	0	0	0	0	0	0
14	0	0	0	0	0	0.000%	0	0	0	0	0	0	0	0
15	0	0	0	0	0	0.000%	0	0	0	0	0	0	0	0
16	0	0	0	0	0	0.000%	0	0	0	0	0	0	0	0
17 Total FERC Account 283	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18 Subtotal Before Being Grossed up for Income Taxes			0	0	0	0	0	0	0	0	0	0	0	0
19 Gross Up			0	0	0	0	0	0	0	0	0	0	0	0
20 Total Deficient Accumulated Deferred Income Taxes - Account 182.3			0	0	0	0	0	0	0	0	0	0	0	0
<b>Excess Accumulated Deferred Income Taxes - amortized to 411.1</b>														
FERC Account 190	0	0	0	0	0	0.000%	0	0	0	0	0	0	0	0
21	0	0	0	0	0	0.000%	0	0	0	0	0	0	0	0
22	0	0	0	0	0	0.000%	0	0	0	0	0	0	0	0
23 Total Account 190	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FERC Account 282														
24 Accelerated Depreciation	0	0	0	0	0	0.000%	0	P	0	0	0	0	0	0
25	0	0	0	0	0	0.000%	0	0	0	0	0	0	0	0
26	0	0	0	0	0	0.000%	0	0	0	0	0	0	0	0
27	0	0	0	0	0	0.000%	0	0	0	0	0	0	0	0
28	0	0	0	0	0	0.000%	0	0	0	0	0	0	0	0
29 Total Account 282	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FERC Account 283														
30	0	0	0	0	0	0.000%	0	0	0	0	0	0	0	0
31	0	0	0	0	0	0.000%	0	0	0	0	0	0	0	0
32	0	0	0	0	0	0.000%	0	0	0	0	0	0	0	0
33	0	0	0	0	0	0.000%	0	0	0	0	0	0	0	0
34	0	0	0	0	0	0.000%	0	0	0	0	0	0	0	0
35 Total Account 283	0	0	0	0	0	0	0	0	0	0	0	0	0	0
36 Subtotal Before Being Grossed up for Income Taxes			0	0	0	0	0	0	0	0	0	0	0	0
37 Gross Up			0	0	0	0	0	0	0	0	0	0	0	0
38 Total Excess Accumulated Deferred Income Taxes - Account 254			0	0	0	0	0	0	0	0	0	0	0	0
39 Grand Total			0	0	0	0	0	0	0	0	0	0	0	0
40 Total Amortization														

Note A: Includes Excess Deferred Income Tax Regulatory Assets or Liabilities and the associated amortization arising from income tax rate changes. This sheet will be populated and replicated for changes in federal, state or local income tax rates impacting Schedule 19 Project ADITs.

Note B: The allocation factors used to allocate total excess accumulated deferred income taxes to local transmission projections are (to be completed when used)

Note C: Remeasurement Factor equals the ratio of the current nominal tax rate to the prior nominal tax rate

41	New nominal rate	1.0%
42	Prior nominal rate	1.0%
43	Remeasurement Factor	100.0%

Note D:

Note E:

Note F:

**New York State Electric and Gas Corporation**  
**Workpaper 4: Permanent Book/Tax Differences**  
**Actual for the 12 Months Ended 12/31/2021**

<b>Line #</b>	<b>(a) Tax Effect of Permanent Book/Tax Differences</b>	<b>(b) AFUDC Equity Schedule 19 Projects</b>	<b>(c) Other 2</b>	<b>(d) Other 3</b>	<b>(e) Total</b>
1	FF1 Reference Amount	500,000	0	0	500,000
2	Income Tax Effect	130,675	0	0	130,675
Ref		Line 1 * Income Tax Factor	Line 1 * Income Tax Factor	Line 1 * Income Tax Factor	Sum of Columns (b), (c) and (d)

New York State Electric and Gas Corporation  
Workpaper 5: Schedule 19 Project Return  
Actual for the 12 Months Ended 12/31/2021

(a)	(b)			(c)	(d)	(e)	(f) Allocate Other Rate Base Items to Schedule 19 Projects										(m)	(n)	(o)
	Average						Net General Plant - Using Allocator	Net Intangible Plant - Using Allocator	Net Common Plant - Using Allocator	CWIP	Abandoned Plant - Using Allocator	Accumulated Deferred Income Taxes - Using Allocator	(Excess)/Deficient ADIT - Using Allocator	Land Held for Future Use - Using Allocator	Other Rate Base Items - Using Allocator	Total Rate Base			
Line #	Workpaper 1, Line 6	Calculated	Workpaper 1, Line 12	Col. (b) - Col. (d)			Line 6 * Col. (c)	Line 6 * Col. (c)	Line 6 * Col. (c)	Workpaper 1, Line 18	Workpaper 1, Line 18	Line 6 * Col. (c)	Line 6 * Col. (c)	Line 6 * Col. (c)	Line 6 * Col. (c)	Sum of Col. (e) through Col. (n)			
1	500,000,000	98.04%	(3,000,000)	497,000,000			3,941,144	210,218	19,778,066	0	-	(9,036,386)	0	-	17,156,186	529,049,227			
2	10,000,000	1.96%	-	10,000,000			78,823	4,204	395,561	250,000,000	-	(180,728)	0	-	343,124	260,640,985			
3	-	0.00%	-	-			-	-	-	100,000,000	-	-	0	-	-	100,000,000			
4	-	0.00%	-	-			-	-	-	50,000,000	-	-	0	-	-	50,000,000			
5		0.00%					-	-	-		-	-	0	-	-				
6	Total	510,000,000	100.00%	(3,000,000)	507,000,000		4,019,966 Appendix A, Line 19	214,422 Appendix A, Line 20	20,173,627 Appendix A, Line 21	400,000,000 Workpaper 1, Line 18	0 Workpaper 1, Line 18	(9,217,114) Appendix A, Line 25	0 Appendix A, Line 26	- Appendix A, Line 28	17,499,310 Appendix A, Line 35	939,690,212			
Ref																			

	Rate Base			WACC	Return	Weighted Preferred and Common Equity Rate	Preferred and Common Equity Return	Weighted Debt Rate	Debt Return
	Col. (a)	Attachment 6, Line 4, Line 8, Line 12, or Line 16	Col. (b) * Col. (c)			Attachment 6, Lines 2 + 3, Lines 6 + 7, Lines 10 + 11 or Lines 14 + 15	Col. (b) * Col. (e)	Attachment 6, Line 1, Line 5, Line 9 or Line 13	Col. (b) * Col. (h)
7	529,049,227	6.35%	33,589,207	4.75%		25,129,838	1.60%	8,459,369	
8	260,640,985	6.35%	16,548,033	4.75%		12,380,447	1.60%	4,167,586	
9	100,000,000	6.35%	6,348,976	4.75%		4,750,000	1.60%	1,598,976	
10	50,000,000	6.35%	3,174,488	4.75%		2,375,000	1.60%	799,488	
11	-		-			-		-	
12	Total	939,690,212	59,660,703			44,635,285		15,025,418	

Schedule 19 Projects Included in Each Project Group			
Project Name	Project Description	Gross Investment	
Project Grouping 1			
Project Grouping 2			
Project Grouping 3			
Project Grouping 4			

New York State Electric and Gas Corporation  
Workpaper 6: Schedule 19 Project Cost of Capital  
Actual for the 12 Months Ended 12/31/2021

Line #	Project Grouping 1	(a)	(b)	(c) (Note A)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
			<b>Capitalization</b>	<b>%s</b>	<b>Cost Rates</b>	<b>WACC</b>					
1	Long Term Debt	Line 22, Col. (i)	1,708,124,059	50.0%	3.198%	1.60%			ROE per New York State Public Service Commission, Case No.	9.50%	
2	Preferred Stock	Line 22 Col. (b)	-	0.0%	0.000%	0.00%			ROE Cap	10.87%	
3	Common Stock	Line 22 Col. (d)	1,902,416,195	50.0%	9.500%	4.75%					
4	Total Capitalization		3,610,540,254	100.0%	(Lines 1 and 2, Col. (j))	6.35%					

	<b>Project Grouping 2</b>		<b>Capitalization</b>	<b>%s</b>	<b>Cost Rates</b>	<b>WACC</b>					
5	Long Term Debt	Line 22, Col. (i)	1,708,124,059	50.0%	3.198%	1.60%			ROE per New York State Public Service Commission, Case No.	9.50%	
6	Preferred Stock	Line 22 Col. (b)	-	0.0%	0.000%	0.00%			ROE Cap	10.87%	
7	Common Stock	Line 22 Col. (d)	1,902,416,195	50.0%	9.500%	4.75%					
8	Total Capitalization		3,610,540,254	100.0%	(Lines 5 and 6, Col. (j))	6.35%					

	<b>Project Grouping 3</b>		<b>Capitalization</b>	<b>%s</b>	<b>Cost Rates</b>	<b>WACC</b>					
9	Long Term Debt	Line 22, Col. (i)	1,708,124,059	50.0%	3.198%	1.60%			ROE per New York State Public Service Commission, Case No.	9.50%	
10	Preferred Stock	Line 22 Col. (b)	-	0.0%	0.000%	0.00%			ROE Cap	10.87%	
11	Common Stock	Line 22 Col. (d)	1,902,416,195	50.0%	9.500%	4.75%					
12	Total Capitalization		3,610,540,254	100.0%	(Lines 9 and 10, Col. (j))	6.35%					

	<b>Project Grouping 4</b>		<b>Capitalization</b>	<b>%s</b>	<b>Cost Rates</b>	<b>WACC</b>					
13	Long Term Debt	Line 22, Col. (i)	1,708,124,059	50.0%	3.198%	1.60%			ROE per New York State Public Service Commission, Case No.	9.50%	
14	Preferred Stock	Line 22 Col. (b)	-	0.0%	0.000%	0.00%			ROE Cap	10.87%	
15	Common Stock	Line 22 Col. (d)	1,902,416,195	50.0%	9.500%	4.75%					
16	Total Capitalization		3,610,540,254	100.0%	(Lines 13 and 14, Col. (j))	6.35%					

Common Equity						Long-term Debt					
Less:											
Accumulated Other Comprehensive Income											
Common Equity for Capitalization											
Total						Total					
Less: Preferred Stock						Unamortized Gains on Reacquired Debt					
Less: Preferred Stock						Unamortized Debt Expense					
Less: Preferred Stock						Unamortized Loss on Reacquired Debt					
Less: Preferred Stock						Long-term Debt for Capitalization					
Less: Preferred Stock						Col. (e) + Col. (f) - Col. (g) - (h)					
Month	Year	112-113, I.16, fn	112-113, I.3, fn	112-113, I.15, fn	Col. (a) - Col. (b) - Col. (c)	112-113, I.24, fn	112-113, I.61, fn	112-113, I.69, fn	112-113, I.81, fn	Col. (e) + Col. (f) - Col. (g) - (h)	
17	December 2020	1,900,894,297	-	(1,521,898)	1,902,416,195	1,735,634,542	-	12,663,065	14,847,418	1,708,124,059	
18	March 2021	1,900,894,297	-	(1,521,898)	1,902,416,195	1,735,634,542	-	12,663,065	14,847,418	1,708,124,059	
19	June 2021	1,900,894,297	-	(1,521,898)	1,902,416,195	1,735,634,542	-	12,663,065	14,847,418	1,708,124,059	
20	September 2021	1,900,894,297	-	(1,521,898)	1,902,416,195	1,735,634,542	-	12,663,065	14,847,418	1,708,124,059	
21	December 2021	1,900,894,297	-	(1,521,898)	1,902,416,195	1,735,634,542	-	12,663,065	14,847,418	1,708,124,059	
22	Average		-		1,902,416,195					1,708,124,059	

23	Long Term Interest	(114-117c, sum of lines 62, 63, 64, 65, 66)	54,624,977
24	Long-Term Debt	(Line 22, Col. (i))	1,708,124,059
25	Long-term Debt Interest Rate	(Line 23 / Line 24)	3.198%
26	Preferred Dividends	118-119c, I.29	-
27	Preferred Stock	(Line 22 Col. (b))	-
28	Preferred Stock Rate	(Line 26 / Line 27)	0

**New York State Electric and Gas Corporation**  
**Workpaper 7: True-up Adjustment for Schedule 19 Projects**  
**Actual for the 12 Months Ended 12/31/2021**

Debit amounts are shown as positive and credit amounts are shown as negative.

The Annual True-Up Adjustment ("ATU") component of the Formula Rate for each Year shall be determined as follows:

- (i) In accordance with its formula rate protocols, NYSEG shall recalculate its Annual Transmission Revenue Requirement ("ATRR") for the previous calendar year based on its actual costs as reflected in its Form No. 1 and its books and records for that calendar year, consistent with FERC accounting policies.
- (ii) Determine the difference between the Actual ATRR as determined in paragraph (i) above, and actual revenues based upon the Projected ATRR for the previous calendar year
- (iii) Multiply the ATRR Before Interest by  $(1+i)^{24}$  months

Where:  $i =$  Average of the monthly rates from the middle of the Rate Year for which the ATU is being calculated through the middle of the year in which the ATU is included in rates (24 months)  
The interest rates are initially estimated and then trued-up to actual

To the extent possible each input to the Formula Rate used to calculate the Actual ATRR will be taken directly from the FERC Form No. 1 or will be reconcilable to the FERC Form 1 by the application of clearly identified and supported information. If the reconciliation is provided through a worksheet included in the filed Formula Rate Template, the inputs to the worksheet must meet this transparency standard, and doing so will satisfy this transparency requirement for the amounts that are output from the worksheet and input to the main body of the Formula Rate.

Line

		Estimated Interest Rate	Actual Interest Rate	Interest Rate True- Up
1	A	ATRR based on actual costs included for the previous calendar year	0	
2	B	Revenues based upon the Projected ATRR for the previous calendar year and excluding any true-up adjustment	0	
3	C	Difference (A-B)	0	0
4	D	Future Value Factor $(1+i)^{24}$	1.0000	1.0000
5	E	True-up Adjustment (C*D)	0	0
6	F	Interest Rate True-up from Prior Periods	0	
7	G	ATU Adjustment with Interest Rate True-up From Prior Periods	0	

Where:

$i =$  average interest rate as calculated below

Interest on Amount of Refunds or Surcharges

	Month	Year	Estimated Monthly Interest Rate	Actual Monthly Interest Rate
8	July	Year 1	0.0000%	0.0000%
9	August	Year 1	0.0000%	0.0000%
10	September	Year 1	0.0000%	0.0000%
11	October	Year 1	0.0000%	0.0000%
12	November	Year 1	0.0000%	0.0000%
13	December	Year 1	0.0000%	0.0000%
14	January	Year 2	0.0000%	0.0000%
15	February	Year 2	0.0000%	0.0000%
16	March	Year 2	0.0000%	0.0000%
17	April	Year 2	0.0000%	0.0000%
18	May	Year 2	0.0000%	0.0000%
19	June	Year 2	0.0000%	0.0000%
20	July	Year 2	0.0000%	0.0000%
21	August	Year 2	0.0000%	0.0000%
22	September	Year 2	0.0000%	0.0000%
23	October	Year 2	0.0000%	0.0000%
24	November	Year 2	0.0000%	0.0000%
25	December	Year 2	0.0000%	0.0000%
26	January	Year 3	0.0000%	0.0000%
27	February	Year 3	0.0000%	0.0000%
28	March	Year 3	0.0000%	0.0000%
29	April	Year 3	0.0000%	0.0000%
30	May	Year 3	0.0000%	0.0000%
31	June	Year 3	0.0000%	0.0000%
32	Average		0.00000%	0.00000%

**New York State Electric and Gas Corporation**  
**Workpaper 8: Electric and Common Depreciation and Amortization Rates**  
**Actual for the 12 Months Ended 12/31/2021**

<u>FERC Account</u>	<u>Description</u>	<u>Rate (Note 1)</u>
<u>Transmission</u>		
350	Land Rights	NA
352	Structures and Improvements	1.79%
353	Station Equipment	1.69%
354	Towers and Fixtures	1.63%
355	Poles and Fixtures	2.07%
356	Overhead Conductors & Devices	2.21%
357	Underground Conduit	1.54%
358	Underground Conductors & Devices	1.83%
359	Roads and Trails	NA
<u>Electric General and Intangible</u>		
302	Franchises and Consents	NA
303	Intangible Plant	9.14%
390	Structures and Improvements	1.77%
391	Office Furniture and Equipment	5.00%
391.2	Computer Equipment	9.14%
392.1	Transportation Equipment - Auto	9.50%
393	Stores Equipment	2.56%
394	Tools, Shop and Garage Equipment	4.00%
395	Laboratory Equipment	3.66%
396	Power Operated Equipment	8.18%
396.1	Power Operated Equipment - Vehicle	6.67%
397	Communication Equipment	5.75%
397.1	Communication Equipment - Overhead	2.86%
398	Miscellaneous Equipment	2.95%
<u>Common</u>		
302	Franchises and Consents	NA
303	Intangible Plant	11.33%
390	Structures and Improvements	1.64%
391	Office Furniture and Equipment	4.32%
391.2	Computer Equipment	11.33%
391.4	LANs/WANs	14.29%
392	Transportation Equipment - Auto	9.00%
392.1	Transportation Equipment - In Reserve	10.00%
393	Stores Equipment	1.55%
394	Tools, Shop and Garage Equipment	3.09%
395	Laboratory Equipment	5.00%
397	Communication Equipment	6.67%
398	Miscellaneous Equipment	4.91%

Note 1: The above depreciation rates cannot change absent Commission authorization

**New York State Electric and Gas Corporation**  
**Workpaper 9: Prior Period Corrections**  
**Actual for the 12 Months Ended 12/31/2021**

Debit amounts are shown as positive and credit amounts are shown as negative.

Line No.	Description	Source	(a) Revenue Impact of Correction	(b) Calendar Year Revenue Requirement
1	Filing Name and Date			
2	Original Revenue Requirement			0
3	Description of Correction 1			0
4	Description of Correction 2			0
5	Total Corrections	(Line 3 + Line 4)		0
6	Corrected Revenue Requirement	(Line 2 + Line 5)		0
7	Total Corrections	(Line 5)		0
8	Average Monthly FERC Refund Rate	Note A		0.00%
9	Number of Months of Interest	Note B		0
10	Interest on Correction	(Line 7 * Line 8 * Line 9)		0
11	Sum of Corrections Plus Interest	(Line 7 + Line 10)		0

Notes:

- A The interest rate on corrections will be the average monthly FERC interest rate for the period from the beginning of the year being corrected through the end of the rate year where the correction is reflected in rates - the same as how interest on the Annual True-up Adjustment is computed.
- B The number of months in which interest is computed is from the middle of the rate year in which the correction is needed to the middle of the rate year where the correction is reflected in rates - the same as how interest on the Annual True-up Adjustment is computed.

Exhibit No. NYSEG-004

**New York State Electric and Gas  
Corporation  
Formula Rate Implementation Protocols  
for CLCPA Eligible Projects**

**Section 1      Definitions**

The following definitions shall apply for purposes of this Attachment 1 to Rate Schedule 19 of the ISO OATT:

- a.      **Accounting Change:** any change in accounting by NYSEG or its affiliates that affects inputs to the Formula Rate or the resulting charges billed under the Formula Rate.
- b.      **Annual Review Procedures:** the procedures described in this Section 6.19.6.2.1 of Attachment 1 to Rate Schedule 19 of the ISO OATT that provide for review and challenge by Interested Parties of the Annual True-up Adjustment and the Annual Update.
- c.      **Annual Stakeholder Meeting:** an annual meeting for Interested Parties with the intention that NYSEG present, explain and answer questions related to the Annual True-up Adjustment and Annual Update.
- d.      **Actual Annual Transmission Revenue Requirement (“Actual ATRR”):** the actual annual revenue requirement of NYSEG’s CLCPA Eligible Projects for a Rate Year calculated in accordance with the Formula Rate and posted on the ISO website no later than June 15 following the end of such Rate Year.
- e.      **Annual True-up Adjustment:** the difference between the revenues collected for that Rate Year under the Formula Rate based upon the Projected ATRR (not including the True-up Adjustment or Corrections) and the Actual ATRR for the same Rate Year. The Annual True-up Adjustment is included in the Annual Update for the next Rate Year.
- f.      **Annual Update:** the Projected ATRR for the upcoming Rate Year, including any Annual True-up Adjustment for the prior Rate Year or any Corrections for prior years.
- g.      **CLCPA Eligible Projects:** the transmission projects (or any portion thereof) owned by NYSEG that qualify as a “CLCPA Eligible Project” as such term is defined in Section 6.19.1.1 of Rate Schedule 19 of the ISO OATT. For the purposes of this Attachment 1 to Rate Schedule 19 of the ISO

OATT, such transmission projects may also be referred to as “Schedule 19 Projects.”

h. **Corrections:** changes due to errors or otherwise to prior Actual ATRRs that occur after that Actual ATRR is used to determine that Rate Year’s Annual True-up Adjustment and included in the applicable Annual Update.

i. **Formal Challenge:** a written challenge, filed with FERC, to the Annual True-up Adjustment submitted to the Commission or to the Annual Update posted to the ISO website.

j. **Formula Rate:** the Formula Rate Template (as set forth in Section 6.19.6.2.2 of Attachment 1 to Rate Schedule 19 of the ISO OATT) and the Formula Rate Protocols (as set forth in this Section 6.19.6.2.1 of this Attachment 1 to Rate Schedule 19 of the ISO OATT).

k. **Formula Rate Template:** the collection of formulas and worksheets, unpopulated with any data, included as set forth in Section 6.19.6.2.2 of this Attachment 1 to Rate Schedule 19 of the ISO OATT.

l. **Informal Challenge:** a process by which Interested Parties may challenge certain aspects of the Annual True-up Adjustment or Annual Update. Informal Challenges are presented to NYSEG directly.

m. **Informational Filing:** the filing of the Annual Update and the results of the Review Period with FERC on or before February 1 of each year commencing with the completion of the initial Rate Year for which this Attachment 1 to Rate Schedule 19 of the ISO OATT is effective. This is filed at FERC for informational purposes only and does not require any action by the Commission.

n. **Interested Parties:** - any transmission customer under the ISO OATT, the New York State Department of Public Service, the New York State Department of State’s Division of Consumer Protection Utility Intervention Unit, consumer advocacy agencies, the New York Attorney General or any party that has standing in a NYSEG Formula Rate proceeding under sections 205 or 206 of the FPA.

o. **Posting Date:** the date on which NYSEG causes to be posted to the ISO website its Annual Update, which is October 15 of each year; provided, however, that if such date falls on a weekend or holiday recognized by the Commission, the Posting Date shall be the next business day.

p. **Projected Annual Transmission Revenue Requirement (“Projected ATRR”):** - the projected annual revenue requirement of NYSEG’s CLCPA Eligible Projects for the upcoming Rate Year

calculated in accordance with the Formula Rate and posted on the ISO website no later than the Posting Date.

q. **Publication Date:** the date on which NYSEG causes the Annual True-up Adjustment to be posted to the ISO website, which is June 15 of each year; provided, however, that if such date falls on a weekend or holiday recognized by the Commission, the Publication Date shall be the next business day.

r. **Rate Year:** a twelve consecutive month period that begins on January 1 and continues through December 31.

s. **Review Period:** the period during which Interested Parties may request information or make Informal Challenges to the Annual True-up Adjustment or Annual Update. The Review Period extends from the Publication Date to January 31 of the following calendar year. Information requests can be submitted from the Publication Date through December 1 of the current year.

## **Section 2      Applicability**

These Formula Rate Protocols shall apply to NYSEG's calculation of its Projected ATRR and Actual ATRR, and related Annual True-up Adjustment(s). A timeline of the annual protocol process is contained in Section 10 of this Section 6.19.6.2.1 of Attachment 1 to Rate Schedule 19 of the ISO OATT.

## **Section 3      Projected ATRR, Actual ATRR, Annual True-up Adjustment and Annual Update**

a. The Projected ATRR calculated pursuant to the Formula Rate shall be applicable on and after January 1 of the Rate Year in which the revenue requirement of Schedule 19 Projects is to be included in transmission rates.

b. On or before June 15 of each succeeding Rate Year (the Publication Date), NYSEG shall calculate its Actual ATRR and resulting Annual True-up Adjustment according to the Formula Rate and cause the results to be posted on the ISO website. Within five (5) days of such posting, NYSEG shall provide (or caused to be provided) notice of such posting to Interested Parties. The ISO shall provide notice of such posting via email to Transmission Customers. NYSEG shall provide notice via email to all other Interested Parties utilizing the most recent email address provided to NYSEG.

c. On or before October 15 of each year (the Posting Date) beginning when the revenue requirement of Schedule 19 Projects is to be included in transmission rates in the subsequent Rate Year, NYSEG shall calculate its Annual Update for the upcoming Rate Year and cause the results to be posted on the ISO website. As part of the Annual Update, NYSEG shall determine its Projected ATRR, calculated according to the Formula Rate. The Annual Update will also include the results of the Annual True-up Adjustment for the prior Rate Year and any Corrections for prior years, when applicable. Within five (5) days of such posting, NYSEG shall provide (or caused to be provided) notice of such posting to Interested Parties. The ISO shall provide notice of such posting via email to Transmission Customers. NYSEG shall provide notice via email to all other Interested Parties utilizing the most recent email address provided to NYSEG.

d. If the Publication Date or the Posting Date falls on a weekend or a holiday recognized by FERC, then the Publication Date or Posting Date, as applicable, shall be the next business day.

e. Within thirty (30) days after the Posting Date (October 15), NYSEG shall hold the Annual Stakeholder Meeting to present, explain and answer questions concerning the Annual True-up Adjustment for the prior Rate Year and the Annual Update for the upcoming Rate Year. NYSEG will provide the opportunity for remote participation at Annual Stakeholder Meetings. To ensure that Interested Parties receive sufficient advance notice of Stakeholder Meetings, NYSEG shall schedule each Annual Stakeholder Meeting at least one (1) month in advance and cause notice thereof to be posted on the ISO website. Within five (5) days of such posting, NYSEG shall provide (or caused to be provided) notice of such posting to Interested Parties. The ISO shall provide notice of such posting via email to Transmission Customers. NYSEG shall provide notice via email to all other Interested Parties utilizing the most recent email address provided to NYSEG.

f. NYSEG shall modify the Annual Update to reflect any changes that it and the Interested Parties agree upon by no later than December 1 and shall cause the revised Annual Update to be posted on the ISO website no later than December 15. Any change agreed to or required after November 30 will be implemented as part of the subsequent Annual True-up Adjustment to be effective in the next following Rate Year. Within five (5) days of such posting, NYSEG shall provide (or caused to be provided) notice of such

posting to Interested Parties. The ISO shall provide notice of such posting via email to Transmission Customers. NYSEG shall provide notice via email to all other Interested Parties utilizing the most recent email address provided to NYSEG.

- g. The Actual ATRR and Annual True-up Adjustment posting shall:
  - i. Include a workable, data-populated Formula Rate Template and any underlying workpapers in native format with all formulas and links intact and based on NYSEG's FERC Form No. 1 reports for the prior Rate Year;
  - ii. Provide supporting documentation and workpapers for data that are used in the Annual True-up Adjustment that are not otherwise available directly from the FERC Form No. 1 reports;
  - iii. Provide sufficient information to enable Interested Parties to replicate the calculation of the Annual True-up Adjustment;
  - iv. Identify any changes in the Formula Rate references (page and line numbers) to the FERC Form No. 1 report;
  - v. Identify all material adjustments made to the FERC Form No. 1 data in determining Formula Rate Template inputs, including relevant footnotes to the FERC Form No. 1 and any adjustments not shown in the FERC Form No. 1;
  - vi. Include, with respect to any Accounting Change that affects inputs to the Formula Rate Template, or the resulting Actual ATRR under the Formula Rate:
    - A. a description of any changes in an accounting standard or policy;
    - B. a description of any accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction;
    - C. any correction of material errors and material prior period adjustments that impact the Annual True-up Adjustment calculation or prior Annual True-up Adjustments;
    - D. a description of any new estimation methods or policies that change prior estimates; and
    - E. changes to income tax elections or rates;
  - vii. Identify items included in the Annual True-up Adjustment at an amount other than

on a historic cost basis (e.g., fair value adjustments);

viii. Identify any reorganization or merger transaction during the previous year and explain the effect of the accounting for such transaction(s) on inputs to the Annual True-up Adjustment;

ix. Include, for each item identified pursuant to 3.g. vi – 3.g. viii of these Formula Rate Protocols, a narrative explanation of the individual effect of such changes on the Actual ATRR under the Formula Rate; and

x. Provide for the prior Rate Year the following information related to affiliate cost allocation:

A. a detailed description of the methodologies used to allocate and directly assign costs between NYSEG and its affiliates by service category or function, including any changes to such cost allocation methodologies from the prior Rate Year and the reasons and justifications for those changes; and

B. the magnitude of such costs that have been allocated or directly assigned between NYSEG and each affiliate by service category or function.

h. The Projected ATRR shall:

i. Include a workable, data-populated Formula Rate Template and any underlying workpapers in native format with all formulas and links intact;

ii. Provide supporting documentation and workpapers for all Schedule 19 Projects being added to operating property in the upcoming Rate Year that are used in the Projected ATRR, including projected costs of each project, expected construction schedule and in-service dates; and

iii. Provide enough information to enable Interested Parties to replicate the calculation of the Projected ATRR.

i. If NYSEG files any corrections to its FERC Form No. 1 that impacts an Annual True-up Adjustment, such corrections and any resulting refunds or surcharges shall be reflected in the subsequent Annual True-up Adjustment or Annual Update as a Correction, with interest.

j. Interest on the Annual True-up Adjustment shall be determined based on the Commission's

regulations at 18 C.F.R § 35.19a a(iii)(A). The interest payable shall be calculated using the average of the interest rates used to calculate the time value of money for the twenty-four (24) months during which the over- or under- recovery in the Actual ATRR exists (middle of Rate Year for which Annual True-up Adjustment is being determined to the middle of Rate Year where the Annual True-up Adjustment is included in the Annual Update). The interest during this 24-month period will initially be estimated and then trued-up to actual and included in a subsequent Annual True-up Adjustment.

k. Formula Rate Template inputs for (i) the ceiling rate of return on common equity; (ii) extraordinary property losses, and (iii) depreciation and amortization expense rates shall be stated values to be used in the Formula Rate approved by FERC order(s). NYSEG may make a limited section 205 filing to change its rate of return on common equity to reflect incentive rate of return adders, if any, which may only be included upon FERC order. Such filings shall comply with the filing requirements that the FERC may have established for seeking such incentives. NYSEG may also make a limited section 205 filing to request recovery of the cost of removal regulatory asset, request recovery of extraordinary property losses or change or add new depreciation and amortization rates. In each case, the sole purpose of any such limited section 205 filing shall be to address whether such proposed changes are just and reasonable and shall not include other aspects of the Formula Rate. Changes in depreciation and amortization rates to track a state commission order shall become effective only upon FERC order permitting a change in depreciation and amortization rates, which, to the extent possible, should be made effective as of the same date the state commission order becomes effective. NYSEG will include notification of such changes in the applicable informational filing. NYSEG may also request transmission rate incentives pursuant to section 219 of the FPA.

l. It is the intent of the Formula Rate, including the supporting explanations and allocations described therein, that each input to the Formula Rate will be taken either directly from the FERC Form No. 1 or reconcilable to the FERC Form No. 1 by the application of clearly identified and supported information. If FERC Form No. 1 is superseded, the successor form(s) shall be utilized and supplemented as necessary to provide equivalent information as that provided in FERC Form No. 1. If FERC Form No. 1

is discontinued, equivalent information as that provided in FERC Form No. 1 shall be utilized.

#### **Section 4. Fundamental Predicates**

a. The Formula Rate is premised upon data reported or recorded by NYSEG consistent with the following predicates ("Fundamental Predicates"):

i. FERC's Uniform System of Accounts;

ii. Applicable FERC Form No. 1 reporting requirements;

iii. FERC's policies governing formula rates for transmission service, including FERC's policies that all charges billed under transmission formula rates are subject to: (A) challenge on grounds of imprudence, and (B) an order by FERC requiring refunds in the manner and to the extent ordered;

iv. FERC orders establishing transmission ratemaking policies of general application to transmission-owning public utilities, including NYSEG; and

v. The accounting and cost allocation policies, practices and procedures of NYSEG to the extent consistent with the authorities listed in (i) through (iv) above.

b. The Formula Rate is based upon each of these Fundamental Predicates as it existed as of the date these Formula Rate Protocols are filed with FERC. Provisions of the Formula Rate may be modified to conform to changes in these Fundamental Predicates in accordance with Section 7 of these Formula Rate Protocols or as ordered by FERC.

c. The Projected ATRR and the Actual ATRR shall include only costs for CLCPA Eligible Projects approved by the PSC as contemplated by the CSRA and such costs are directly related to or properly allocable to transmission functions pursuant to Rate Schedule 19 of the ISO OATT. Interested Parties shall be entitled to review and challenge (i) the reasonableness and prudence of costs and expenditures included in the Projected ATRR and Actual ATRR, (ii) the basis for and reasonableness of allocating all or any portion of such costs and expenditures in determining the Projected ATRR and Actual ATRR under Rate Schedule 19 of the ISO OATT, and (iii) whether the allocation of costs as applied results in a disproportionate allocation of cost to the Projected ATRR and Actual ATRR for charges under Rate

Schedule 19 of the ISO OATT. Any such review and challenge shall adhere to the procedures set forth in Sections 6 and 7 below.

## **Section 5 Construction Work in Progress**

- a. This section applies to any and all NYSEG Schedule 19 Projects where the Commission has granted NYSEG CWIP in rate base, either 100% or less (“CWIP”).
  - i. NYSEG shall use the following accounting procedures to ensure that, if authorized by a Commission order to include 100% of any CLCPA Eligible Project CWIP in transmission rate base, NYSEG ceases to accrue for recovery any AFUDC and, if less than 100% of CWIP in transmission rate base is authorized, a corresponding percentage of AFUDC accruals will cease. NYSEG shall assign each Schedule 19 Project where the Commission has authorized CWIP a unique funding project number (“FPN”) for internal cost tracking purposes.
  - ii. NYSEG shall record actual construction costs to each FPN through work orders that are coded to correspond to the FPN for each applicable Schedule 19 Project. Such work orders shall be segregated from work orders for other Schedule 19 Projects for which the Commission has not authorized NYSEG to include any portion of CWIP in rate base.
  - iii. For each applicable Schedule 19 Project, NYSEG shall prepare monthly work order summaries of costs incurred under the associated FPN. These summaries shall show monthly additions to CWIP and transfers to plant in service and shall correspond to amounts shown in NYSEG’s FERC Form 1. NYSEG shall use these summaries as data inputs into the Annual True-up Adjustment. NYSEG shall make such work order summaries available upon request under the review procedures of Section 6 of these Formula Rate Protocols.
  - iv. When a Schedule 19 Project for which the Commission granted CWIP, or portion thereof, is placed into service, NYSEG shall deduct from the total CWIP the accumulated charges for work orders under the FPN for that project, or portion thereof. The purpose of this control process is to ensure that expenditures are not double counted as both CWIP and as additions to plant.
  - v. For Schedule 19 Projects for which the Commission has not granted CWIP,

NYSEG shall record AFUDC to be applied to CWIP and capitalized as part of CWIP and included in the project investment when the project is placed into service.

vi. For Schedule 19 Projects where the Commission has granted CWIP, NYSEG will include in the investment for such project's AFUDC accrued prior to the date that NYSEG first includes the CWIP for such projects in rate base.

b. For each Schedule 19 Project where FERC has approved CWIP in rate base, NYSEG shall include in its Informational Filing a report that includes the following concerning each project:

- i. the actual amount of CWIP recorded for each project by month for the Rate Year;
- ii. the current status of each project; and
- iii. the estimated in-service date for each project.

## **Section 6 Annual Review Procedures**

Each Annual True-up Adjustment and Annual Update shall be subject to the following review procedures:

a. Interested Parties shall have until December 1 to serve reasonable information requests on NYSEG for both the Annual True-up Adjustment and the Annual Update. If December 1 falls on a weekend or a holiday recognized by FERC, the deadline for submitting all information and document requests shall be extended to the next business day. Such information and document requests shall be limited to what is necessary to determine:

i. the extent or effect of an Accounting Change;

ii. whether the Annual True-up Adjustment or Annual Update fails to include data properly recorded in accordance with these Formula Rate Protocols and the Fundamental Predicates or includes data not properly recorded in accordance with these Formula Rate Protocols and the

Fundamental Predicates;

iii. whether the costs included in the Annual Update are properly accounted for (e.g., recordable and recorded in the appropriate accounts) under FERC's Uniform System of Accounts under 18 C.F.R. Part 101, and otherwise consistent with NYSEG's accounting policies, practices, or

procedures;

iv. whether there are errors in the current Annual Update and, if any are identified, whether the same or similar errors were made in prior Formula Rate filings with a further explanation identifying each Formula Rate filing in which such errors were made;

v. the proper application of the Formula Rate and procedures in these Formula Rate Protocols;

vi. the accuracy of data and consistency with the Formula Rate of the calculations shown in the Annual True-up Adjustment or the Annual Update;

vii. the prudence of actual costs and expenditures;

viii. the effect of any change to the underlying Uniform System of Accounts or the FERC Form No. 1; or

ix. any other information that may reasonably have a substantive effect on the calculation of the Projected ATRR or Actual ATRR pursuant to the Formula Rate.

b. The information and document requests shall not otherwise be directed to ascertaining whether the Formula Rate is just and reasonable. Additionally, information requests shall not solicit information concerning costs or allocations where the costs or allocation methods have been determined by FERC (or resolved by a settlement accepted by FERC) or for Annual True-up Adjustments for other Rate Years, except that such information requests shall be permitted if they seek to determine if there has been a material change in NYSEG's circumstances.

c. NYSEG shall make a good faith effort to respond to information requests pertaining to the Annual True-up Adjustment and Annual Update within fifteen (15) business days of receipt of such requests. NYSEG shall respond to all information and document requests by no later than December 20 unless the information exchange period is extended by NYSEG or FERC. If December 20 falls on a weekend or a holiday recognized by FERC, the deadline for response to information requests shall be extended to the next business day.

d. If NYSEG and any Interested Party are unable to resolve disputes related to information

requests submitted in accordance with these annual review procedures, NYSEG or the Interested Party may petition FERC to appoint an Administrative Law Judge as a discovery master. The discovery master shall have the power to issue binding orders to resolve discovery disputes and compel the production of discovery, as appropriate, in accordance with these annual review procedures and consistent with FERC's discovery rules.

e. NYSEG will cause to be posted on the ISO website all information requests from Interested Parties and NYSEG's response to such requests; except to the extent such responses to information and document requests include material deemed by NYSEG to be confidential information (in which event such information will not be publicly posted but will be made available to requesting parties pursuant to a confidentiality agreement to be executed by NYSEG and the requesting party).

f. NYSEG shall not claim that responses to information and document requests provided pursuant to these Formula Rate Protocols are subject to any settlement privilege in any subsequent FERC proceeding addressing NYSEG's Annual True-up Adjustment, Annual Update, or its Formula Rate.

g. The dates and time periods set forth in this Section 6 may be modified by agreement between NYSEG and other Interested Parties.

## **Section 7      Informational Filing**

a. By February 1 of each year, NYSEG shall submit to FERC an Informational Filing of its Annual Update and the results of the Annual Review Procedures. This Informational Filing must include the information that is required by Section 2, must describe any changes pursuant to the Annual Review Procedures and must describe all aspects of the formula rate or its inputs that are the subject of an ongoing dispute under the Informal or Formal Challenge procedures. Within five (5) days of such Informational Filing, NYSEG shall provide (or cause to be provided) notice of the Informational Filing to Interested Parties via email and by posting the docket number assigned to NYSEG's Informational Filing on NYSEG's website and OASIS.

b. Any challenges to the implementation of the Annual Update must be made through the

Challenge Procedures described in Section 8 of these protocols or in a separate complaint proceeding, and not in response to the Informational Filing.

## **Section 8      Challenge Procedures**

a. Interested Parties have through January 31 of the following year to make an Informal Challenge to NYSEG's Annual True-up Adjustment or Annual Update. If January 31 falls on a weekend or a holiday recognized by FERC, the deadline for submitting all Informal Challenges shall be extended to the next business day. Failure to pursue at least one issue through an Informal Challenge shall bar the filing of a Formal Challenge. If at least one Informal Challenge was pursued, then a Formal Challenge may be filed on that issue or any other issue. Failure to pursue an issue with respect to any particular Annual True-up Adjustment or Annual Update shall not bar pursuit of such issue through Informal Challenge or the lodging of a Formal Challenge as to such issue as it relates to subsequent Annual True-up Adjustments or Annual Updates. This Section 8a shall in no way affect a party's rights under FPA section 206.

b. A party submitting an Informal Challenge to NYSEG must specify the inputs, supporting explanations, allocations, calculations, or other information to which it objects and provide an appropriate explanation and documents to support its challenge. NYSEG shall make a good faith effort to respond to any Informal Challenge within twenty (20) business days of notification of such challenge. NYSEG shall appoint a senior representative to work with the party that submitted the Informal Challenge (or its representative) toward a resolution of the challenge. If NYSEG disagrees with such challenge, NYSEG will provide the Interested Party(ies) with an explanation supporting the inputs and provide supporting calculations, descriptions, allocations, or other information. No Informal Challenge may be submitted after January 31, and NYSEG must respond to all Informal Challenges by no later than February 28, unless the Review Period is extended by NYSEG or FERC. Informal Challenges shall be subject to the resolution procedures and limitations in this Section 8.

c. Informal Challenges shall be presented to NYSEG and Formal Challenges filed before the FERC, pursuant to these Formula Rate Protocols and shall:

- i. Clearly identify the action or inaction which is alleged to violate the filed Formula Rate or Formula Rate Protocols;
- ii. Explain how the action or inaction violates the Formula Rate or Formula Rate Protocols;
- iii. Set forth the business, commercial, economic, or other issues presented by the action or inaction as such relates to or affects the party filing the Informal Challenge or Formal Challenge, including:
  - A. The extent or effect of an Accounting Change;
  - B. Whether the Annual True-up Adjustment or Annual Update fails to include data properly recorded in accordance with these Formula Rate Protocols;
  - C. The proper application of the Formula Rate and procedures in these Formula Rate Protocols;
  - D. The accuracy of data and consistency with the Formula Rate of the charges shown in the Annual True-up Adjustment or Annual Update, including errors as described in Section 6.a.iv, for the current Annual True-up Adjustment or Annual Update and for any prior years in which the Formula Rate included such errors;
  - E. The prudence of actual costs and expenditures;
  - F. The effect of any change to the underlying Uniform System of Accounts or FERC Form No. 1; or
  - G. Any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the Formula Rate.
- iv. Informal Challenges and Formal Challenges may address whether costs are recorded consistent with the Fundamental Predicates in these Formula Rate Protocols and FERC's policies and regulations, how the costs charged by NYSEG's affiliates are recorded on NYSEG's books in accordance with Instruction 14 of the Uniform System of Accounts, the amounts of such centralized service company costs, and whether the costs are properly includable in transmission rates.

v. With respect to an issue that had previously been adjudicated by the Commission in a Formal Challenge proceeding that was not resolved by settlement, the principles of *res judicata* and *collateral estoppel* shall apply and, therefore, if a subsequent Formal Challenge is made with respect to such issue, NYSEG may move to dismiss on such grounds, the challenging party or other Interested Parties may contest whether such principles apply, and the Commission shall have the discretion to determine whether the Formal Challenge may proceed or should be dismissed.

vi. Make a good faith effort to quantify the financial impact or burden (if any) created for the party filing the Formal Challenge as a result of the action or inaction;

vii. State whether the issues presented are pending in an existing Commission proceeding or a proceeding in any other forum in which the filing party is a party, and if so, provide an explanation why timely resolution cannot be achieved in that forum;

viii. State the specific relief or remedy requested, including any request for stay or extension of time, and the basis for that relief;

ix. Include all documents that support the facts in the Formal Challenge in possession of, or otherwise attainable by, the filing party, including, but not limited to, contracts and affidavits; and

x. State whether the filing party utilized the Informal Challenge procedures described in these Formula Rate Protocols to dispute the action or inaction raised by the Formal Challenge, and, if not, describe why not.

d. Any person filing a Formal Challenge must serve a copy of the Formal Challenge on NYSEG. Service to NYSEG must be simultaneous with filing at the Commission. Simultaneous service can be accomplished by electronic mail in accordance with 18 C.F.R. § 385.2010(f)(3), facsimile, express delivery, or messenger. The party filing the Formal Challenge shall serve the individual listed as the contact person on NYSEG's Informational Filing required under Section 7 of these Formula Rate Protocols.

e. NYSEG will cause to be posted on the ISO website all Informal Challenges from Interested Parties and NYSEG's response(s) to such Informal Challenges; except to the extent such Informal Challenges or responses to Informal Challenges include material deemed by NYSEG to be

confidential information (in which event such information will not be publicly posted but will be made available to requesting parties pursuant to a confidentiality agreement to be executed by NYSEG and the requesting party).

f. Any changes or adjustments to the Annual True-up Adjustment or Annual Update resulting from the information exchange and Informal Challenge processes agreed to by NYSEG on or before December 1 will be reflected in the Annual Update for the upcoming Rate Year. Any changes or adjustments agreed to by NYSEG after December 1 will be reflected in the following year's Annual True-up Adjustment.

g. If NYSEG and a challenging party have not resolved an Informal Challenge to an Annual Update, the challenging party shall have the right to submit by May 1 a Formal Challenge with the FERC, which shall be served on NYSEG on the date of such filing as specified in Section 8.d., above. However, there shall be no need to make a Formal Challenge or to await conclusion of the time periods in this Section 8 if the FERC already has initiated *sua sponte* a proceeding to consider the Annual Update. A Formal Challenge shall be filed in the same docket as NYSEG's informational filing discussed in Section 7 of these Formula Rate Protocols. NYSEG shall respond to the Formal Challenge by the deadline established by FERC. A party may not pursue a Formal Challenge if that party did not submit an Informal Challenge on at least one issue during the applicable Review Period.

h. In any proceeding initiated by FERC concerning the Annual True-up Adjustment or Annual Update or in response to a Formal Challenge, NYSEG shall bear the burden, consistent with FPA section 205, of proving that it has correctly applied the terms of the Formula Rate consistent with these Formula Rate Protocols, and that it followed the applicable requirements and procedures in these Formula Rate Protocols. Nothing herein is intended to alter the burdens applied by FERC with respect to prudence challenges.

i. In the event an error, as further described in Section 6.a.iv., is identified in an Annual True-up Adjustment or Annual Update and such error was present in prior Annual True-up Adjustments or Annual Updates, an Interested Party may request a FERC order making any correction or providing

other remedial relief retroactive to the first Formula Rate filing in which such error occurred. NYSEG retains all rights to oppose such a request.

j. Except as specifically provided herein, nothing herein shall be deemed to limit in any way the right of NYSEG to file unilaterally, pursuant to FPA section 205 and the regulations thereunder, to change the Formula Rate or any of its inputs (including, but not limited to, rate of return and transmission incentive rate treatment), or to replace the Formula Rate with a stated rate, or the right of any Interested Party to request such changes pursuant to FPA section 206 and the Commission's regulations thereunder.

k. No Interested Party shall seek to modify the Formula Rate under the challenge procedures set forth in this Section 8, and the Annual True-up Adjustment and Annual Update shall not be subject to challenge by anyone for the purpose of modifying the Formula Rate. Any modifications to the Formula Rate will require, as applicable, an FPA section 205 or section 206 filing.

l. Any Interested Party seeking changes to the application of the Formula Rate due to a change in the Uniform System of Accounts or FERC Form No. 1 shall first raise the matter with NYSEG in accordance with this Section 8 before pursuing a Formal Challenge.

## **Section 9      Changes to Annual Informational Filings**

Any changes to the data inputs as a result of revisions to NYSEG's FERC Form No. 1 or as a result of any FERC proceeding to consider the Annual True-up Adjustment or as a result of the procedures set forth herein shall be incorporated into the Formula Rate (with interest determined in accordance with 18 C.F.R. § 38.19a) in the Annual Update for the next effective Rate Year. This approach shall apply in lieu of mid-Rate Year adjustments or any refunds or surcharges. However, actual refunds or surcharges (with interest determined in accordance with 18 C.F.R. §38.19a) for the then current Rate Year shall be made if the Formula Rate is replaced by a stated rate by NYSEG.

Section 10     Timeline of Annual Process

