ATTACHMENT A

Explanatory Statement, with an Accompanying Appendix

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

New York Independent System Operator, Inc.	)))	**Docket No. ER23-491-000**
New York Power Authority	))	

EXPLANATORY STATEMENT IN SUPPORT OF OFFER OF SETTLEMENT

Pursuant to Rule 602 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("FERC" or "Commission"), 18 C.F.R. § 385.602 (2023), the New York Power Authority ("NYPA") submits this Explanatory Statement in support of the Offer of Settlement ("Settlement") that comprehensively resolves all issues set for hearing in the above-captioned docket. Each of the Parties[1] has affirmatively agreed that such Party either supports this Settlement in full or does not oppose this Settlement. For purposes of this Settlement, the term "Party" individually, or "Parties" collectively, shall have the meaning provided in 18 C.F.R. § 385.102(c).

I. INTRODUCTION

NYPA is a corporate municipal instrumentality and a political subdivision of the State of New York, organized under the laws of New York, and operates pursuant to Title 1 of Article 5 of the New York Public Authorities Law.[2] NYPA is engaged in the generation, transmission, and sale

[1] Municipal Electric Utilities Association of New York ("MEUA") intervened in this proceeding and, together with NYPA, are parties to the Settlement. The New York Independent System Operator, Inc.'s ("NYISO") participation in this proceeding is limited solely to its role as Tariff Administrator, and the NYISO takes no position with respect to the substantive issues in the Settlement.
[2] NYPA is a "state instrumentality" within the definition of section 201(f) of the Federal Power Act ("FPA") and therefore is exempt from the requirements of Part II of the FPA. 16 U.S.C. § 824(f).

of electric power and energy at wholesale and retail throughout New York and is a founding member of the New York Independent System Operator, Inc. ("NYISO"). NYPA's bulk power transmission system encompasses 1,456 circuit miles and consists of facilities ranging from 115 kilovolts ("kV") to 765 kV. As the largest state-owned power organization in New York, NYPA has taken responsibility for constructing, owning, and operating critical segments of transmission infrastructure throughout New York State.

On November 23, 2022, NYPA submitted a filing to the Commission (1) to update the allocation methodology for Administrative and General costs and expenses as well as depreciation expense and net plant costs for General and Intangible Plant (hereinafter "A&G costs") in the Formula Rate Template (as set forth in Section 14.2.3.1 of Attachment H to the NYISO Open Access Transmission Tariff ("OATT"); (2) to incorporate into the Formula Rate Protocols (as set forth in Section 14.2.3.2 of Attachment H to the NYISO OATT) the new cost containment mechanism conditionally approved by the Commission on July 5, 2022 for the Smart Path Connect Project[3] and related conforming changes to Schedule D2 of the Formula Rate Template; and (3) to make certain technical and clarifying revisions to the Formula Rate Template.[4] With respect to the A&G cost allocation methodology update, the Formula Rate Filing explained the basis for NYPA's request to incorporate a multi-factor Modified Massachusetts Method for allocating A&G costs, using a combination of direct labor, net plant, and net revenue.

A motion to intervene and comment was filed by MEUA on December 14, 2022. On December 23, 2022, NYPA filed an answer to the comment.

[3] Order on Formula Rate and Transmission Incentives, 180 FERC ¶ 61,004 (2022) ("July Order").

[4] New York Power Authority, Proposed Amendments to New York Power Authority Formula Rate, Docket No. ER23-491-000 (filed November 23, 2022) ("Formula Rate Filing").

On January 23, 2023, the Commission issued an order conditionally accepting NYPA's Formula Rate changes, subject to refund, effective January 24, 2023, and set them for hearing and settlement judge procedures.[5]

On February 2, 2023, the Chief Judge issued an order appointing Settlement Judge Suzanne Krolikowski to facilitate settlement discussions.[6] Settlement conferences were held before Judge Krolikowski on March 1, 2023 and April 18, 2023. Following the initial settlement conference, NYPA responded to informal settlement data requests on March 10, 2023, April 10, 2023, and May 4, 2023 concerning its proposed Formula Rate and engaged in additional settlement discussions. The settlement discussions and data responses described above helped to achieve this Settlement.

The Settlement represents the agreement of the parties to resolve all outstanding issues set for hearing in this proceeding, is a fair and reasonable result based on arms-length negotiations of the parties, and based on all indications received by NYPA, is supported or not opposed by the Parties in this proceeding.

II. ITEMS INCLUDED IN THIS SETTLEMENT PACKAGE

Along with this Explanatory Statement, NYPA is submitting the Settlement and Exhibits A and B to the Settlement. Exhibits A and B contain, respectively, revised clean and red-lined tariff sheets reflecting the agreed-upon changes to Attachment H of the NYISO OATT, including changes to the Formula Rate Template.

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[5] *N.Y. York Power Auth.*, 182 FERC ¶ 61,028 (2023). This order further directed NYPA to file a compliance filing to revise the definition of Third-Party Costs under Section 14.2.3.2.10.A and include a reference noting the incentives are bound by the upper end of the zone of reasonableness as discussed in the Commission's July Order. NYPA addressed those matters—which are not among those set for hearing and settlement in this proceeding—in a compliance filing which the Commission approved on May 24, 2023.

[6] *N.Y. Indep. Sys. Operator, Inc.*, Order of Chief Judge Designating Settlement Judge and Scheduling Settlement Conference at P 2, Docket No. ER23-491-000 (issued February 2, 2023) (unpublished order).

III. SUMMARY OF SETTLEMENT

NYPA offers this Settlement, which comprehensively settles the issues set for hearing in this proceeding. Once accepted by the Commission, the Settlement binds each of the Parties to the terms and conditions included in the Settlement, a summary of which is included below:

Article I sets forth the procedural history of this proceeding.

Article II describes the scope of the Settlement. The Settlement is a negotiated package consisting of the Settlement inclusive of accompanying Exhibits A and B. The Settlement represents a complete and final resolution of all issues set for hearing in this proceeding.

Article III sets forth the terms and conditions of the Settlement.

<u>Section 3.1 – Modified Massachusetts Method.</u> For A&G costs (and all other costs previously allocated using the labor only cost allocator in its Formula Rate) that are not directly assigned, NYPA shall use a multi-factor Modified Massachusetts Allocation method in its Formula Rate for determining its transmission revenue requirement, using an equally weighted average of direct labor, net plant, and net revenue ratios.

Notwithstanding the calculation used to allocate A&G costs to transmission that are not directly assigned, NYPA's allocation methodology described above will not change the allocation methodology for A&G costs as provided for in existing contracts with preference power customers whose rates are based on the cost of hydroelectricity produced from the Niagara and St. Lawrence Projects.

<u>Section 3.2 – Amended A&G Cost Allocator.</u> NYPA shall alter Work Paper EA, Calculation of A&G and General and Intangible Plant Allocator, in its transmission Formula Rate, to show the amounts of labor, net plant and net revenue in the computation of the allocator. The revised work paper is included in Exhibits A and B to the Settlement, and for illustrative purposes

a stand-alone, populated version of this work paper is attached in the Appendix to this Explanatory Statement. The notes of the revised Work Paper EA will also indicate that net plant is determined based on end of year values, and that net revenue "excludes fuel, purchased power and certain other charges that are passed through to direct service customers." This revised Work Paper EA will provide MEUA and all stakeholders transparency regarding the residual A&G cost allocation calculations for the transmission rates.

Section 3.3 – Nonutility Profit Centers. As a part of the Settlement, NYPA agrees to provide an additional row in its Formula Rate Workpaper WP-AB showing the dollars indirectly allocated to nonutility profit centers in its next Annual Update, and in all subsequent Annual Updates.

Section 3.4 – Refunds. NYPA agrees to provide refunds through the existing "Prior Period Adjustment" mechanism in its Formula Rate. NYPA shall refund the difference in the (1) net adjusted annual transmission revenue requirement for the 2023 rate year associated with the filed Modified Massachusetts Allocation Method proposal versus the (2) net adjusted annual transmission revenue requirement for the 2023 rate year associated with the negotiated version of this allocation method accepted in a final order approving this Settlement. In accordance with Section 14.2.3.2.4 of NYPA's Formula Rate Protocols, such refunds shall be inclusive of interest determined under 18 C.F.R. § 35.19 and incorporated as a Prior Period Adjustment into the annual transmission revenue requirement for NYPA's next effective rate year commencing July 1, 2024.

Articles IV, V, VI, and VII address procedural aspects of the Settlement. Article IV identifies when the Settlement will become effective, which shall be on the date of a final order of the Commission accepting or approving this Settlement without material condition or modification, or, if approved with material condition or modification, if no Party files notice with the Commission in accordance with Article IV ("Settlement Effective Date"). The Settlement shall bind the Parties as of the Settlement Effective Date. However, upon the Settlement Effective Date, the revisions to the Formula Rate described in Article III of the Settlement shall become effective as of January 24, 2023. If the Commission by order approves the Settlement with material condition or modification, a Party must notify the other Parties within 15 business days of the issuance of such order if it does not agree to the Settlement as so conditioned or modified. In such an event, the Parties shall meet or confer within 15 business days after such notification is provided to negotiate in good faith to reach a revised agreement or otherwise address the concerns of the Party or Parties. If a revised agreement cannot be reached and the concerns of the Party or Parties cannot otherwise be adequately addressed within 15 business days of such meeting or conference (unless mutually extended by the Parties), the Settlement shall be of no force and effect and the objecting Party shall so inform the Commission.

Article V provides that the Settlement represents an agreement for the purpose of the settlement of the captioned docket and that no Party shall be deemed to have accepted, agreed, or consented to any fact, concept, theory, principle, or method in this proceeding. Further, the Commission's approval of this Settlement shall not constitute precedent nor be used to prejudice any otherwise available rights or arguments of any party in a future proceeding, other than to enforce the terms of this Settlement, and shall not be used as evidence that a particular method is a "long-standing practice" as that term is used in *Columbia Gas Transmission Corp. v. FERC*, 628 F.2d 578 (D.C. Cir. 1975), or a "settled practice" as that term is used in *Public Service Commission of New York v. FERC*, 642 F.2d 1335 (D.C. Cir. 1980).

Article VI describes the standard of review to be applied for any proposed modification to the Settlement. The Settlement provides that the standard of review the Commission shall apply when acting on modifications to this Settlement proposed by a Party is the "public interest" application of the just and reasonable standard of review set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956) and *FPC v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956) (the *Mobile-Sierra* doctrine), as clarified in *Morgan Stanley Capital Group Inc. v. Public Utility District No. 1 of Snohomish County*, 554 U.S. 527 (2008), and refined in *NRG Power Marketing, LLC v. Maine Public Utilities Commission*, 558 U.S. 165, 174-75 (2010). The standard of review for any modifications to the Settlement requested by a non-Party or initiated by the Commission acting *sua sponte* will be the ordinary just and reasonable standard of review. *See Morgan Stanley Capital Group Inc.*, 554 U.S. 527. Article VII includes certain miscellaneous provisions and reservations of rights.

IV. DISCUSSION

A. The Modified Massachusetts Method is a fair and reasonable method for NYPA to use in allocating its A&G costs between business functions.

1. Use of the Modified Massachusetts Method Supports NYPA's Business Model and Practices.

In response to New York State's climate change initiatives, which require substantial construction of new transmission to accommodate large increases in renewable and other clean generation for the benefit of customers, NYPA reevaluated how it allocates A&G costs that are not directly assigned to transmission in order to ensure that costs are properly recovered on a cost-causation basis and that rates remain fair and reasonable.

NYPA's rapidly growing transmission business cost structure is dominated by fixed costs related to its transmission plant in service. The prevailing method in transmission formula rates to allocate the residual, or indirect, A&G costs has been a labor ratio allocation. However, in an ISO context where the utility does not operate the grid itself and where often maintenance items are contracted out, a labor-only ratio is less robust and accurate at tracking cost causation than a multi-factor allocation using labor, revenue, and capital.

The multi-factor Modified Massachusetts Method is a long-accepted, industry-known formula authorized by the Commission and used by numerous investor-owned electric and gas utilities to allocate indirect A&G costs. Given the changes to NYPA's cost structure, as explained above, NYPA found that a Modified Massachusetts Method using net plant, net revenue, and direct labor factors provided a more representative cost-causation based allocator than labor alone for NYPA's indirect A&G costs.[7] The move from a single labor allocation method to this three-factor allocation mechanism in the development of its transmission Formula Rate better reflects NYPA's business and investment in New York's climate initiative.

NYPA operates and is subject to FERC regulation as a NYISO member comparable to the other FERC-regulated, investor-owned utilities.[8] Though NYPA may be unique in its state-owned status, it is similarly situated to other transmission-owning public utilities in how it builds, owns, and operates bulk transmission. Accordingly, it is appropriate for NYPA to use similar accounting and cost allocation methods as those being used by public utilities across the country.

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[7] In NYPA's review, the Modified Massachusetts Method was determined to be more appropriate than other multi-factor methodologies since some business units require a high degree of capital/plant while others are not as capital intensive, yet generate significant revenues or are more labor-intensive. The fundamental thrust was to link cost responsibility to cost causation whenever costs could not be direct-charged or direct-assessed.

[8] NYPA is the largest state power organization in the United States with 16 generating facilities and more than 1,400 circuit-miles of transmission lines. Unlike most municipalities and similar to many investor-owned utilities, NYPA builds and owns bulk transmission. Under the NYISO OATT, NYPA is subject to FERC review and approval of its annual transmission revenue requirement ("ATRR") like other New York transmission owners. NYISO OATT, Att. H, § 14.2.2.3. NYPA's entire ATRR is subject to FERC jurisdiction. NYISO OATT, Att. H, §14.2.3.2.1(a). Despite NYPA's municipal utility status that would normally exempt it from FERC orders directing refunds, NYPA has consistently represented that it submits to the refund procedures (including the applicable FERC interest rate) that apply to other transmission owners.

2. **Several Utilities Employ the Modified Massachusetts Method to Allocate A&G Costs to Transmission.**

As noted, the Modified Massachusetts Method is a long-accepted, industry-known allocation method used by various electric and gas utilities to allocate indirect A&G costs to transmission. In the Northeast Region alone, there are a variety of electric utilities using a multi-factor methodology to allocate A&G expenses.

Public Service Electric & Gas Company ("PSE&G"), for example, switched from a labor-only allocator to a multi-factor allocator in 2021 in its transmission formula rate. The multi-factor allocator evenly weighs gross fixed assets, O&M, and labor.[9] In a 2021 Settlement pre-filing, PSE&G stated that its multi-factor allocation methodology used these three factors as they are key drivers that cause A&G costs to be incurred. PSE&G noted that gross fixed assets cause A&G costs to be incurred because there are work activities/services associated with gross fixed assets, such as (i) services provided by PSE&G's accounting and tax departments to track capital additions, depreciation and related areas; (ii) services provided by Planning and Treasury departments to plan, approve, and finance fixed asset additions and the ongoing fixed asset base and determine revenues derived from those fixed asset investments; and (iii) services provided by the law department to obtain siting and permits for new asset investments, manage claims for damages or claims for assets.

PPL Electric Utilities Corporation ("PPL") utilizes a three-factor allocation methodology to allocate services classified as "indirect," which are those that are not directly identifiable to any particular business line or support group and are of a general corporate nature.[10] PPL's multi-factor

[9] 77 FERC ¶ 61,004. In lieu of using a Wages and Salaries allocator to recover A&G costs, PSE&G will adapt a three-factor allocation methodology that it uses for state-regulated distribution rates: gross fixed assets, O&M, and salaries.
[10] Final Report dated October 21, 2016 of Vondle & Associates, Inc. to the Pennsylvania Public Utilities Commission on PPL Electric Utilities Corporation, page 142.

allocation procedure uses capitalization, number of employees, and O&M expenses as the basis for determining an equitable allocation of indirect costs. PPL divides indirect services into six different categories of business lines that receive the costs, then the costs are further divided by each group for all activities conducted by that group. Since 2010, PPL has filed its multi-factor cost allocation formula with the Commission annually in its FERC Form No. 60.

Algonquin Power & Utilities Corp. ("Algonquin") and Liberty Utilities Service Corp. ("Liberty") both use a variety of multi-factor allocation methodologies to allocate indirect A&G costs to affiliates. The multi-factor allocation methodologies include i) net plant, number of employees and O&M; ii) revenue, O&M and net plant; iii) number of employees and O&M; iv) number of employees (single-factor allocation methodology); iv) O&M and capital expenditures (and sometimes with net plant); and v) net plant and O&M. Revenue, O&M and net plant are the predominant factors in Algonquin's and Liberty's A&G cost allocation methodologies.[11] Liberty Utilities has filed a multi-factor allocation methodology with the Commission since 2012 in its annual FERC Form No. 60 filings.

National Grid utilizes a multi-factor cost allocation methodology as its general allocator for all indirectly attributable expenses – i.e., the 'costs of doing business' that do not relate to any provision of specific products and services. The general allocator is based upon an equal balance of net margin, net plant, and net O&M.[12] National Grid has filed a three-factor allocation methodology with the Commission since 2011 in its annual FERC Form No. 60 filings.

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[11] Algonquin Cost Allocation Manual, January 1, 2017. In the past, Liberty used a Four Factor allocation method including utility plant, customer counts, non-labor expenses and labor. *FERC Form No. 60: Annual Report of Centralized Service Companies,* Liberty Energy Utilities Corp (2012).

[12] National Grid USA, Cost Allocation Manual, pp. 7, 9, updated July 2020. Available at https://fileservice.eea.comacloud.net/FileService.Api/file/FileRoom/13120744.

Dayton Power and Light Company uses numerous methodologies to allocate the non-direct assigned A&G expense items (i.e., number of employees, network users), including muti-factor allocators, which are comprised of a mix of labor, gross revenue, and net assets.[13]

The Modified Massachusetts Formula and its variants, as well as other multi-factor allocation methodologies, are also used by electric and natural gas, FERC-jurisdictional utilities throughout the United States, including: Northern States Power Company;[14] Black Hills Service Company;[15] Kansas City Power & Light Service Company;[16] New Mexico Gas (Emera);[17] ENSTAR (AltaGas);[18] Xcel Energy Transmission Development Company, LLC;[19] and Public Service Company of Colorado.[20] NYPA's use of the three-factor Modified Massachusetts Method

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[13] *See Informational Filing,* The Dayton Power and Light Company d/b/a AES Ohio, Docket No. ER20-1150 (June 15, 2023) where Dayton Power's informational filing included its multi-factor cost allocation methodology for allocating indirect A&G costs.

[14] *See* Northern States Power Company, Cost Assignment and Allocation Manual, June 2012, p. vii.2. Northern States Power Company ("NSPCC") uses a three-factor allocation based on the weighted average of operating revenue, plant in service, and supervised O&M to allocate common utility costs. NSPCC has filed this allocation methodology with the Commission since 2003 in its annual FERC Form No. 1 filings.

[15] *See* Black Hills Service Company Cost Allocation Manual, Amended December 31, 2019, p. 9. Black Hills uses a "Blended Ratio" for its general allocator which weighs Gross Margin, Asset Cost, and Payroll Dollars. Black Hills has filed this allocation methodology with the Commission since 2003 in its annual FERC Form No. 60 filings.

[16] *See* Kansas City Power & Light Company Cost Allocation Manual, 2000, p. 32. The Kansas City Power & Light Company ("KCPLC") uses a three-factor general allocator which weighs Asset Cost, Payroll, Gross Margin. As seen in the Cost Allocation Manual, KCPLC has used and filed this multi-factor formula with the Commission since 2003 in its annual FERC Form No. 1 filings.

[17] *See* New Mexico Gas Company, Direct Testimony and Exhibits of Jimmie L. Blotter (Case No. 21-00267-UT) (2021). Like NYPA's proposal, New Mexico Gas Company ("NMGC") also uses the Modified Massachusetts Method to calculate unpredictable O&M expenses. NMGC has filed this allocation methodology with the Commission since 2016 in its annual FERC Form No. 60 filings.

[18] *See* ENSTAR Natural Gas Company Prefiled Testimony of Jillian Fan, Case No. U-20479, 2016, p. 20. ENSTAR has also used an uncontested Modified Massachusetts Method to calculate O&M expenses since 2015.

[19] *See Affiliate Cost Allocation Compliance Filing*, Xcel Energy Transmission Development Company, LLC Docket No. ER14-2752-000 (2015). Xcel Energy Transmission Development Company ("Xcel") uses a three-factor general allocator, comprised of the average ratio of Total Assets, Total Revenues and Total Labor Dollars, which was reviewed by the Commission in 2015 in response to a November 2014 Order requesting additional information on Xcel's allocation methodology for costs allocated from its parent company or affiliates. *Id.* The Commission did not issue a final order.

[20] *See* Public Service Company of Colorado, Cost Assignment and Allocation Manual, December 2018, p. 65 ("PSC Colorado"). PSC Colorado has used a three-factor allocation based on the weighted average of operating revenue, plant in service, and supervised O&M to allocate common utility costs since 2003. In June 2003, under Docket No. ER03-971-000, PSC Colorado filed its state-commission-approved rate design with FERC, which included its use of a three-factor cost allocation methodology. The proceeding focused specifically on PSC Colorado's request to increase its ROE to 11.25%, with no discussion of the three-factor method.

is consistent with A&G cost allocation practices throughout the United States and is a fair and reasonable method for allocating A&G costs.

B. The Modified Massachusetts Method Promotes a Fair and Reasonable Allocation of A&G Costs for NYPA's Transmission Business Which Will Result in Fair and Reasonable Rates.

NYPA's use of the three-factor allocation methodology to provide a better link between cost responsibility and cost causation results in fair and reasonable rates.

The change in NYPA's cost allocation methodology is from the current, single-factor labor ratio method used for the allocation of A&G costs, which no longer reflects an accurate representation of the drivers of the A&G costs, to a three-factor Massachusetts Method modified for NYPA's circumstances to reflect the decreasing influence of labor and the increasing influence of plant investment and revenues in causing A&G expenses. Because the changes to the A&G cost allocation methodology sought by NYPA in this proceeding required changes to the Formula Rate Template, the Commission required that they be considered under section 205 of the FPA rather than the Formula Rate Protocols' Annual Update process.[21]

As noted above, NYPA's rapidly growing transmission business cost structure is dominated by fixed costs related to its transmission plant in service. While allocating indirect A&G costs through a labor allocator was the prevailing method in transmission formula rates when that methodology was adopted previously in NYPA's own Formula Rate, in an ISO context where the utility no longer operates the grid itself, where often maintenance items are contracted out, and where the focus is on extensive grid expansion to accommodate regional renewable energy goals, a labor-only ratio is less robust and accurate at tracking cost causation than a multi-factor allocation methodology. Moving from a single-factor labor allocation method to this three-factor allocation

[21] *See* 182 FERC ¶ 61,028 at P 19.

method better reflects NYPA's current business and cost drivers for A&G. NYPA's business focus and investment profile has shifted dramatically so that transmission development and construction have become the dominant activities requiring management attention. Currently its capital construction plan includes over $3.6 billion of projected transmission project construction needed to transition to renewable and clean energy in New York State. These changes in the focus of the business led NYPA to review how it has allocated A&G costs. NYPA discovered that continued use of a single-factor labor-ratio allocator did not adequately capture the appropriate allocation to the transmission function of these A&G costs given the changing business focus. NYPA determined that by adjusting its allocation methodology for indirect A&G costs to include plant investment and revenues, its Formula Rate would more accurately reflect NYPA's more recent and anticipated A&G cost drivers. This allocation methodology change better reflects cost causation and thereby results in fair and reasonable rates.

The Settlement resolves all issues set for hearing in this proceeding, results in fair and reasonable rates, and is in the public interest.[22] Commission approval of the Settlement will spare the Parties and the Commission the expense and risks associated with protracted litigation. NYPA respectfully requests that the presiding Settlement Judge certify the settlement to the Commission as uncontested as soon as possible and that the Commission accept the Settlement as soon thereafter as possible.

V. RESPONSE TO QUESTIONS

By order dated December 15, 2016, the Chief Administrative Law Judge requires that four questions be answered as part of every Explanatory Statement submitted in support of a proposed settlement. The questions and specific responses applicable to this Settlement are as follows:

[22] 18 C.F.R. § 385.602(g)(3).

1. Does the settlement affect other pending cases?

The Settlement does not affect any other pending case. The Settlement is intended to resolve the issues set for hearing in this proceeding. Specifically, the Settlement resolves all contested issues regarding the Formula Rate to be used by NYPA for recovery of costs associated with its transmission assets under the NYISO OATT.

2. Does the settlement involve issues of first impression?

Though NYPA is a municipal utility under the FPA, this Settlement does not establish any new precedent as the use of the multi-factor Modified Massachusetts Method or its variants, by utilities similarly situated to NYPA, is well established.

3. Does the settlement depart from Commission precedent? If so, identify by case name(s) and docket numbers(s).

NYPA does not believe this Settlement is a departure from Commission precedent. This Settlement involves modification to NYPA's Formula Rate in a manner consistent with that of similar energy utilities, as identified in this Explanatory Statement.

4. Does the settlement seek to impose a standard of review other than the ordinary just and reasonable standard with respect to any changes to the settlement that might be sought by either a third party or the Commission acting *sua sponte*.

No. The changes proposed by a non-Party or initiated by the Commission acting *sua sponte* shall be the ordinary just and reasonable standard of review.

VI. CONCLUSION

For all of these reasons, NYPA respectfully requests that the presiding Settlement Judge certify the settlement to the Commission as soon as possible following the comment period, and the Commission approve the Settlement without condition or modification at the earliest possible date following certification.

Respectfully submitted,

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Dated: December 8, 2023

Attachment: Appendix containing populated work paper

NEW YORK POWER AUTHORITY
TRANSMISSION REVENUE REQUIREMENT
YEAR ENDING DECEMBER 31, 2022

WORK PAPER EA
CALCULATION OF A&G AND GENERAL PLANT ALLOCATOR

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Profit		Labor [1/]	Net Plant [2/]	Net Revenue [3/]	Labor	Net Plant	Net Revenue	Allocator
	Center(s)	Site	$	$	$	%	%	%	Ratio
1a	105	Blenheim-Gilboa	13,735,061	194,388,992	46,678,587	8.81%	4.61%	3.88%	5.77%
1b	110	St. Lawrence	21,766,160	372,645,030	148,920,693	13.96%	8.83%	12.39%	11.73%
1c	115	Niagara	39,314,666	1,197,934,855	417,440,262	25.21%	28.38%	34.74%	29.44%
1d	120	Poletti	-	-	-	0.00%	0.00%	0.00%	0.00%
1e	125	Flynn	3,997,861	95,916,896	48,072,047	2.56%	2.27%	4.00%	2.95%
1f									
1g	122	AE II	500,333	-	-	0.32%	0.00%	0.00%	0.11%
1h									
1i	130-150	Total Small Hydro	3,229,439	107,025,067	11,904,354	2.07%	2.54%	0.99%	1.87%
1j									
1k	155-161	Total Small Clean Power Plants	2,850,769	227,156,249	61,706,440	1.83%	5.38%	5.14%	4.11%
1l									
1n	165	500MW Combined Cycle	10,289,648	291,165,601	86,257,912	6.60%	6.90%	7.18%	6.89%
1m									
1o	205-245	Total Included Transmission	54,736,030	1,732,122,998	365,078,719	35.10%	41.04%	30.38%	35.51%
1p									
1q	321	Recharge New York	1,958,078	-	2,428,261	1.26%	0.00%	0.20%	0.49%
1r									
1s	600	SENY	3,564,499	2,682,252	13,111,306	2.29%	0.06%	1.09%	1.15%
...	-	-							0.00%
		Total - Production + Transmission	155,942,544	4,221,037,940	1,201,598,579	100.00%	100.00%	100.00%	100.00%
		Total - Production Only	101,206,514	2,488,914,942	836,519,860	64.90%	58.96%	69.62%	64.49%

Notes
1/ Data source for Labor is NYPA Form 1 Equivalent and audited financials.
2/ Data source for Net Plant is NYPA audited financials. The balance at the end of the calendar year is used in determining the percentages for the Net Plant factor.
3/ Data source for Net Revenue is NYPA audited financials.
Net Revenue excludes fuel, purchased power and certain other charges that are passed through to direct service customers.