

## ATTACHMENT A

New York Power Authority  
Docket No. ER24-1866-000  
Responses to Questions from June 26, 2024 Deficiency Letter  
issued by Office of Energy Market Regulation

1. Please explain whether NYPA proposes to include only the rental expense related to its right of use assets (e.g., leases) in its cost of service.

Response: In its April 29, 2024 filing in this docket, NYPA proposed a slightly different approach for right to use assets than contained in the Commission's 2018 accounting guidance,<sup>1</sup> which addresses similar lease accounting related to FASB Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. NYPA proposed to include the amortization and interest costs of right to use assets, determined in accordance with the GASB accounting standard from June 2017 (GASB Statement No. 87), in the transmission revenue requirement (for transmission and general right to use assets). This proposal substantively tracks the guidance of FASB ASU No. 2016-02. Over the life of the lease agreement, the amount included in the transmission revenue requirement under NYPA's proposal is exactly the same as including rental expense in the revenue requirement, as directed by the 2018 accounting guidance; the annual amounts differ slightly. NYPA provides an example comparing the two approaches for a single asset in an Excel file in Exhibit 1 to this Attachment A (see columns W-Y) to show how the annual differences are insignificant for a typical right to use contract.

2. Please provide the account that NYPA currently uses to include rental expense associated with the right of use leases in its cost of service.

Response: As explained in the response to Question 1, NYPA is not proposing to include rental expense associated with right of use leases in its cost of service. Rather, NYPA is proposing to include the amortization amount in transmission depreciation expense or

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<sup>1</sup> *Accounting & Financial Reporting for Leases*, Docket No. AI19-1-000 (2018).

general depreciation expense (see Schedule B1-Depn of the Formula Rate template, Line 5f, which pertains to Account 403.1 amounts) and NYPA proposes to include the interest costs in transmission O&M (for transmission right to use assets) (see Schedule A1-O&M of the Formula Rate template, Line 6d, pertaining to Account 431.1) or administrative and general expense (for general right to use assets) (see Schedule A2-A&G of the Formula Rate template, Line 3g, also Account 431.1). See Work Paper (WP) AA (“Operations and Maintenance Summary”) of the Formula Rate template, lines 5b and 4a for where these FERC Account entries would appear.

3. Please explain whether NYPA proposes to include only the O&M expense related to long-term software subscription service contracts in its cost of service.

Response: In its April 29, 2024 filing, NYPA proposed a slightly different approach for long-term software subscription service contracts than contained in the 2018 accounting guidance which addresses similar lease accounting related to FASB ASU No. 2016-02. NYPA proposed to include the amortization and interest costs of long-term software subscription service contracts determined in accordance with recent GASB accounting standard, GASB Statement No. 96 issued May 2020 (again, tracking the guidance of the FASB ASU No. 2016-02), in the transmission revenue requirement (for transmission and general long-term software subscription service contracts). Over the life of the subscription agreement, the amount included in the revenue requirement under NYPA’s proposal is exactly the same as including rental expense in the revenue requirement as directed by the 2018 accounting guidance; the annual amounts differ slightly. NYPA’s single asset example in the Excel file (Exhibit 1 to this Attachment A - see columns W-Y) also applies to the case of a typical long-term software subscription service contract and shows how the annual differences are insignificant.

4. Please provide the O&M account(s) that NYPA currently uses to include long-term software subscription service contracts in its cost of service.

Response: As explained in the response to Question 3, NYPA is not proposing to include rental expense associated with long-term software subscription service contracts in its cost of service. Rather, NYPA is proposing to include the amortization expense associated with long-term software subscription service contracts in transmission depreciation expense or general depreciation expense (see Schedule B1-Depn of the Formula Rate template, Line 5f – Account 403.1). NYPA proposes to include the interest costs associated with long-term software subscription service contracts in transmission O&M (for transmission long-term software subscription service contracts) (see Schedule A1-O&M of the Formula Rate template, Line 6d – Account 431.1) or administrative and general expense (for general long-term software subscription service contracts) (see Schedule A2-A&G of the Formula Rate template, Line 3g – Account 431.1). See also NYPA’s response to Question 2 above for the FERC Account references in the Formula Rate template.

Notwithstanding NYPA’s responses above and its April 29, 2024 proposal for including amortization and interest costs of right to use assets and long-term software subscription service contracts in its transmission revenue requirement, should FERC require that only the associated rental expense be included in the transmission revenue requirement, NYPA will make the necessary changes to its Formula Rate template in a compliance filing in response to an order by the Commission in this proceeding directing any such changes.