

Attachment II

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

TC Ravenswood, LLC)	Docket No. ER14-1711-___
)	
)	
New York Independent System Operator, Inc.)	Docket No. ER14-1822-___
)	
)	

Not Consolidated

EXPLANATORY STATEMENT

Pursuant to Rule 602(c) of the Federal Energy Regulatory Commission's ("Commission") Rules of Practice and Procedure, 18 C.F.R. § 385.602(c), TC Ravenswood, LLC ("TC Ravenswood"), the New York Independent System Operator, Inc. ("NYISO"), Consolidated Edison Company of New York, Inc. ("Con Edison"), the City of New York, New York Power Authority ("NYPA"), and the New York State Public Service Commission (individually a "Party" and collectively the "Settling Parties") hereby submit this Explanatory Statement in support of the Offer of Settlement in the above-captioned dockets. This Explanatory Statement is not intended to, and does not, alter any of the provisions in the Offer of Settlement.

The Offer of Settlement being submitted herewith sets forth the terms and conditions under which TC Ravenswood will be compensated by the NYISO for generating electric energy using 0.3% sulfur High Pour ("HP") No. 6 Fuel Oil ("Fuel Oil") in lieu of natural gas in furtherance of New York State Reliability Council's Local Reliability Rule I-R3 (Loss of Generator Gas Supply - New York City) ("Rule I-R3") ("Fuel Oil Burn for I-R3") during a three-year period beginning May 1, 2014 and ending April 30, 2017. With the exception of certain issues that are identified in Section 6.1 hereof, which the Settling Parties believe the

Commission need not address at this time, the Offer of Settlement resolves all issues that were raised or could have been raised in Docket Nos. ER14-1711 and ER14-1822. The Offer of Settlement supersedes all prior negotiations, understandings and agreements whether written or oral, between the Settling Parties with respect to compensation for TC Ravenswood's provision of Fuel Oil Burn for I-R3 with respect to the subject matter discussed in the Offer of Settlement.

The issues that are not addressed in the Offer of Settlement are (1) TC Ravenswood's legal authority, if any, to have its own rate schedule on file under Federal Power Act ("FPA") Section 205 setting forth rates and terms and conditions under which it would provide Fuel Oil Burn for I-R3, *i.e.*, burns Fuel Oil in lieu of natural gas in furtherance of Rule I-R3, and (2) TC Ravenswood's obligation, if any, to provide Fuel Oil Burn for I-R3 and to be compensated for doing so, pursuant to an unexecuted Implementation Agreement under Section 4.1.9 of the NYISO's Market Administration and Control Area Services Tariff ("Services Tariff"). These issues remain contested and unresolved. Nonetheless, the Settling Parties are not asking the Commission to address these issues in the context of these dockets, and they believe the Commission can and should, approve this Offer of Settlement, without addressing these two issues. The Offer of Settlement makes clear however that the Settling Parties reserve the right to argue in support of, or in opposition to, TC Ravenswood's legal authority, if any, to have its own rate schedule on file under FPA Section 205 setting forth rates and terms and conditions under which it would provide Fuel Oil Burn for I-R3 and/or its obligation to provide Fuel Oil Burn for I-R3 and be compensated for doing so pursuant to an unexecuted Implementation Agreement under Section 4.1.9 of the Services Tariff. However, such arguments may only be raised with regard to filings setting forth proposed rates and/or compensation, as applicable, and terms and conditions for TC Ravenswood's provision of Fuel Oil Burn for I-R3 that would be effective

after the expiration of this Offer of Settlement on April 30, 2017. Consistent with that reservation of rights, the Offer of Settlement provides that no Settling Party waives any rights it may possess to have rates on file under Section 205 of the FPA, or to make FPA Section 205 or 206 filings, except Parties may not make a Section 205 filing or a Section 206 filing seeking a rate or a revised rate to compensate TC Ravenswood for Fuel Oil Burn for I-R3 for the period May 1, 2014 through April 30, 2017 or to modify the terms and conditions in the Offer of Settlement, unless the Settling Parties, by mutual consent, agree to modify the terms and conditions in this Offer of Settlement.

To achieve this Offer of Settlement, the NYISO has agreed to withdraw the Unexecuted Minimum Oil Burn Agreement (“Unexecuted Agreement”) it filed in Docket No. ER14-1822, and TC Ravenswood has agreed to withdraw the rate schedule it filed in Docket No. ER14-1711, both withdrawals to be with prejudice, and to be made based upon an order approving the Offer of Settlement becoming a Final Order as defined in the Offer of Settlement. Under a Final Order, TC Ravenswood will provide Fuel Oil Burn for I-R3 for the period May 1, 2014 through April 30, 2017 in accordance with the Offer of Settlement in lieu of the terms previously proposed by NYISO or TC Ravenswood in Dockets ER14-1822 and ER14-1711.

The Settling Parties submit that the Offer of Settlement is just and reasonable and to their knowledge, it is unopposed. The Settling Parties urge the Commission to promptly approve the Offer of Settlement without modification or condition to be effective May 1, 2014. The Settling Parties specifically request an order no later than December 17, 2014 in order to start the process of making payments and allocations of payments for 2014, pursuant to the terms of the Offer of Settlement, by January 2015.

BACKGROUND

TC Ravenswood's Generating Station includes, *inter alia*, three large steam units (Units 10, 20 and 30) with a combined capacity of approximately 1,780 MW, that are capable of burning either natural gas or Fuel Oil. Because of that dual fuel capability, TC Ravenswood's large steam units have the ability to burn Fuel Oil in furtherance of Rule I-R3. I-R3 requires that certain In-City generators, including TC Ravenswood, switch from burning natural gas in their boilers to burning a mix of natural gas and a specified minimum level of Fuel Oil, upon notice from Con Edison, in order to avoid the loss of electric load on account of the loss of a gas facility. I-R3 protects the reliability of the electric power system that could result from rapid pressure loss following a natural gas pipeline break. The choice of generators required to respond to I-R3 is specific to physical system limitations, including proximity of generators to specific gas pipelines. As a result, the NYISO and Con Edison from time-to-time request TC Ravenswood to burn Fuel Oil in furtherance of Rule I-R3.

Per the procedures set forth in a 2011 Settlement that the Commission approved in *TC Ravenswood, LLC v. New York Independent System Operator, Inc.*, 135 FERC ¶ 61,125 (2011), the parties attempted to negotiate a new agreement for TC Ravenswood to provide Fuel Oil for I-R3 to begin on May 1, 2014. Although the parties negotiated in good faith, they were unable to reach an agreement ahead of April 11, 2014. As a result, on April 11, 2014, TC Ravenswood filed an Application to implement a Reliability Oil Burn Service Cost of Service Rate Schedule effective May 1, 2014 in Docket No. ER14-1711.¹ On April 30, 2014, NYISO filed an Unexecuted Minimum Oil Burn Agreement ("Unexecuted Agreement") in Docket No. ER14-

¹ *Application of TC Ravenswood, LLC to implement a Reliability Oil Burn Service Cost of Service Rate Schedule*, Application, Docket No. ER14-1711 (filed April 11, 2014) ("2014 Application") at 3.

1822.² Negotiations continued between the NYISO and TC Ravenswood notwithstanding the filings.

On June 20, 2014, TC Ravenswood and NYISO filed a Joint Motion to Hold Proceedings in Abeyance in Docket Nos. ER14-1711 and ER14-1822³ so that the parties in both dockets could engage in further discussions under the Commission's Settlement Rules and Procedures. To achieve that goal, on June 24 (as clarified on June 26), August 20, 2014 and October 7, 2014 (as clarified on October 8, 2014), TC Ravenswood re-submitted its proposed rate schedule in Docket No. ER14-1711 in order to restart the 60-day clock for Commission action.⁴ The NYISO also re-submitted its Unexecuted Agreement in Docket No. ER14-1822 on June 24, 2014, August 20, 2014 and October 7, 2014 for the same purpose.⁵

² *New York Independent System Operator, Inc.*, Filing of Unexecuted Minimum Oil Burn Agreement with TC Ravenswood, LLC, Docket No. ER14-1822 (filed April 30, 2014).

³ *Application of TC Ravenswood, LLC to implement a Reliability Oil Burn Service Cost of Service Rate Schedule, et al.*, Joint Motion to Hold Proceedings in Abeyance, Docket Nos. ER14-1711, ER14-1822 (filed June 24, 2014).

⁴ *TC Ravenswood, LLC*, Application of TC Ravenswood, LLC to implement a Reliability Oil Burn Service Cost of Service Rate Schedule, Docket No. ER14-1711-002 (filed June 24, 2014); *TC Ravenswood, LLC*, Application of TC Ravenswood, LLC to implement a Reliability Oil Burn Service Cost of Service Rate Schedule, Docket No. ER14-1711-003 (filed June 26, 2014); *TC Ravenswood, LLC*, Application of TC Ravenswood, LLC to implement a Reliability Oil Burn Service Cost of Service Rate Schedule, Docket No. ER14-1711-004 (filed Aug. 20, 2014); *TC Ravenswood, LLC*, Application of TC Ravenswood, LLC to implement a Reliability Oil Burn Service Cost of Service Rate Schedule, Docket No. ER14-1711-004 (filed Oct. 7, 2014).

⁵ *New York Independent System Operator, Inc.*, Submission of Amendment in Docket No. ER14-1822-000 to Address eTariff Requirements in Connection with Joint Request that the Commission Hold Proceedings in Abeyance, Submitted in Docket Nos. ER14-1711-001 and ER14-1822-000 (Not Consolidated), Docket No. ER14-1822-001 (filed June 24, 2014); *New York Independent System Operator, Inc.*, Resubmission of Unexecuted Minimum Oil Burn Agreement Docket No. ER14-1822-000 and Request that the Commission Hold in Abeyance Proceeding in Docket No. ER14-1822-000, Docket No. ER14-1822-002 (filed Aug. 20, 2014); *New York Independent System Operator, Inc.*, Resubmission of Unexecuted Minimum Oil Burn Agreement Docket No. ER14-1822-000 and Request that the Commission Hold in Abeyance Proceeding in Docket No. ER14-1822-000, Docket No. ER14-1822-002 (filed Oct. 7, 2014)

THE OFFER OF SETTLEMENT

The introduction to the Offer of Settlement explains that payments the NYISO makes to TC Ravenswood for the commodity of Fuel Oil, emissions and fuel oil taxes will be made in accordance with the NYISO's Services Tariff. The terms and conditions under which compensation will be made to TC Ravenswood for transporting, maintaining, storing and handling Fuel Oil, *i.e.*, providing Fuel Oil Burn for I-R3, are fully set forth in the Offer of Settlement.

Section 1.1 of the Offer of Settlement provides that in return for the payments by the NYISO described in Section 2, TC Ravenswood will comply with requests from NYISO and/or Con Edison to burn Fuel Oil for I-R3 needs, unless it would cause steam generating units 10, 20 or 30 to be considered "oil-fired electric utility steam generating units" as defined under the U.S. Environmental Protection Agency's ("EPA") Mercury and Air Toxics Standards ("MATS") or cause a violation of EPA MATS. In the event TC Ravenswood forecasts in any notice required by Section 1.2 of the Offer of Settlement that it is likely that one or more of its units may be considered at a future date to be an "oil-fired electric utility steam generating units" as defined under MATS, TC Ravenswood will request that EPA grant a waiver from MATS compliance obligations for the applicable unit(s). Nonetheless, the Offer of Settlement does not require TC Ravenswood to invest in any improvements, changes or upgrades to its generating facilities to reduce emissions and enable it to operate as an "oil-fired electric utility steam generating unit" as defined under MATS, and TC Ravenswood is not seeking compensation in the Offer of Settlement to recover any such costs. However, the Offer of Settlement makes clear that TC Ravenswood is reserving the right, if any, to seek separate recovery of such costs in a new proceeding if and when it is required to make investments related to MATS and the Settling

Parties reserve their rights to protest the recovery of such costs. The Offer of Settlement provides that in the event that TC Ravenswood receives a request to provide Fuel Oil Burn for I-R3 and TC Ravenswood is forecasting such burn is likely to cause one or more of its units to be considered to be an “oil-fired electric utility steam generating unit” as defined under MATS, TC Ravenswood will notify NYISO and Con Edison System Operations that continued operation of the unit(s) will be limited to burning natural gas unless and until an applicable waiver request is granted that fully relieves TC Ravenswood from triggering MATS limits that cause its unit(s) to be classified as “oil-fired electric utility steam generating units” or TC Ravenswood no longer is forecasting that additional use of Fuel Oil will result in the units being classified as “oil-fired electric utility steam generating units” under MATS.

Section 1.2 of the Offer of Settlement requires TC Ravenswood to provide NYISO and Con Edison System Operations, on a confidential basis, three categories of notices and communications related to its actual and forecast Fuel Oil burn percentages applicable to each unit individually. Those notices include: a Monthly Average Annual Heat Input Forecast Notice; a Quarterly Average Annual Heat Input Forecast Notice; and an Immediate Average Annual Heat Input Notice.

Section 1.3 of the Offer of Settlement requires TC Ravenswood and TC Ravenswood Services Corp. during the period May 1, 2014 through April 30, 2017 to co-mingle the use of their Fuel Oil storage and delivery facilities as well as Operation and Maintenance (“O&M”) activities and administrative services with the use of other Fuel Oil customers served from the Ravenswood site (“co-mingling”). In order to comply with the co-mingling requirement, TC Ravenswood will provide Fuel Oil Burn for I-R3 using a portion of the following oil storage and delivery facilities: (i) one and one-half (1½) offsite storage tanks (which equates to

approximately 250,000 barrels of working storage); (ii) one (1) large (approximately 40,000 barrel) annual time chartered barge; the Lemon Creek barge; and (iii) TC Ravenswood's existing onsite storage at its Ravenswood facility, subject to the minimum reserve quantity required by the existing agreement between TC Ravenswood and Con Edison Steam. In addition, TC Ravenswood will provide certain associated acquisition and transport administrative services.

Section 2.1 of the Offer of Settlement provides that the NYISO will pay TC Ravenswood Demand Charges, Premium Costs and O&M Costs as set forth and defined in Section 2 in furtherance of its provision of Fuel Oil Burn for I-R3. Appendix A to the Offer of Settlement contains a list of the categories of costs that comprise the Demand Charge. Appendix B to the Offer of Settlement, which is confidential, contains an itemization of the costs that form the basis for the Demand Charges.

Sections 2.1 and 2.2 of the Offer of Settlement describe the derivation of the Demand Charges in Year 1 (the period May 1, 2014 through April 30, 2015), Year 2 (the period May 1, 2015 through April 30, 2016), and Year 3 (the period May 1, 2016 through April 30, 2017) for the recovery of TC Ravenswood's costs of transporting, maintaining, storing and handling of Fuel Oil to provide Fuel Oil Burn for I-R3.

Section 2.2.1 of the Offer of Settlement states that the Demand Charges will be \$4,075,000.00 for Year 1.

Sections 2.2.2 and 2.2.3 of the Offer of Settlement states that the Demand Charges will be \$4,162,545.20 for Year 2, and \$4,252,716.75 for Year 3 and that the Demand Charges shall be paid regardless of: (i) whether Fuel Oil has been burned in furtherance of I-R3; (ii) the relative cost of the Fuel Oil compared to natural gas reflected in the reference levels for TC Ravenswood's generating units; and (iii) any revisions to the NYISO's Services Tariff or Rule I-

R3 that occur after the date the Offer of Settlement is executed. Section 2.2.2 also explains that particular items contributing to the Demand Charge will be escalated by 3% in each of Years 2 and 3 of the Offer of Settlement. Those items are identified in Confidential Appendix B to the Offer of Settlement. The payments for Year 2 and 3, above, reflect this escalation.

Section 2.3.1 of the Offer of Settlement provides that for every barrel of Fuel Oil that TC Ravenswood burns in furtherance of Rule I-R3 that is eligible for commodity cost compensation in accordance with Section 4.1.9.2 of the Services Tariff, the NYISO shall pay TC Ravenswood a premium of \$3.50 over the commodity cost eligible for compensation in accordance with Section 4.1.9.2 of the Services Tariff. The Premium Cost payments shall be subject to a true-up as provided for in Section 2.4 of the Offer of Settlement.

Under Section 2.3.2 of the Offer of Settlement, TC Ravenswood will provide written notification to Con Edison (in addition to providing invoices to the NYISO) when TC Ravenswood incurs a premium of \$3.50 or more per barrel in purchasing Fuel Oil.

Section 2.3.3 of the Offer of Settlement provides that TC Ravenswood shall be paid O&M Costs associated with the use of the on-site tanks and equipment at the TC Ravenswood Generating Station. The charge for O&M Costs shall be \$0.45/bbl for every barrel of Fuel Oil burned in furtherance of Rule I-R3 that is eligible for commodity cost compensation in accordance with Section 4.1.9.2 of the Services Tariff. The charge for O&M Costs shall remain constant and shall not escalate for the three year term of the Offer of Settlement.

Section 2.4 of the Offer of Settlement describes the process by which the Premium Cost payments pursuant to Section 2.3.1 may be trued-up.

Specifically, Section 2.4.1 of the Offer of Settlement states that TC Ravenswood shall provide to the NYISO all Fuel Oil invoices for Year 1 by June 15, 2015, for Year 2 by June 15,

2016, and for Year 3 by June 15, 2017. If the invoiced premiums paid by TC Ravenswood for providing Fuel Oil Burn for I-R3 in Years 1, 2 and/or 3, respectively, exceed the Premium Cost payment made in Years 1, 2, and/or 3, respectively, by more than \$25,000, the NYISO shall reimburse TC Ravenswood for the total excess of the invoiced premiums over the Premium Cost payment made. If the Premium Cost payment made in Years 1, 2 and/or 3, respectively, exceed the invoiced premiums paid by TC Ravenswood for the provision of Fuel Oil Burn for I-R3 in Years 1, 2, and/or 3, respectively, by more than \$25,000, TC Ravenswood shall reimburse the NYISO for the total excess of the Premium Costs paid over the invoiced premiums.

Section 2.4.2 of the Offer of Settlement explains that true-up payments to or from TC Ravenswood, if any, shall be included on the NYISO invoices to TC Ravenswood for the months of July 2015, July 2016 and July 2017 respectively.

Section 2.5 of the Offer of Settlement provides that the NYISO shall pay TC Ravenswood the Demand Charge for Years 1, 2 and 3 in five equal amounts using the NYISO's normal billing cycle for the months of May through September, for the time period covered by the Offer of Settlement. However, the Offer of Settlement adjusts the timing of the payments for 2014 given that the Offer of Settlement cannot be approved in a timeframe that will allow for all payments for Year 1 to be made using the NYISO's normal billing cycle for the months of May through September, 2014. For that reason, Section 2.6 provides for the payment of interest to TC Ravenswood in a manner that is consistent with the payment of interest under the normal billing cycle described in the Services Tariff, that is from the disbursement date of the first monthly invoice after service was rendered to the disbursement of payment and provides specific directions on the calculation of interest for payments due for May, June and July 2014. The interest calculations specified in Section 2.6 are in recognition that payments for May, June, and

July 2014 cannot be made within the normal billing cycles for those months because of the passage of time. Specifically, the payment for May 2014, and appropriate interest, will be made on the first initial invoice issued following a Commission Order accepting this Offer of Settlement; payment for June 2014, and appropriate interest, will be made on the second initial invoice issued following a Commission Order accepting this Offer of Settlement and payment for July 2014, and appropriate interest, shall be on the third initial invoice issued following a Commission Order accepting this Offer of Settlement. Payments for August 2014 and September 2014 and for Years 2 and 3 will be made in the normal course of NYISO's billing cycles.

Section 2.7 of the Offer of Settlement describes how NYISO will allocate the Demand Charges, Premium Costs and O&M Costs paid to TC Ravenswood pursuant to the Offer of Settlement. The Demand Charges, Premium Costs and O&M Costs will be allocated under the provisions of Section 6.1.7 of the NYISO's Open Access Transmission Tariff ("OATT") to all load withdrawals in the Con Edison Transmission District (Load Zones H, I and J) based on each Load Serving Entity's ("LSE's") load ratio share.

Section 2.8 of the Offer of Settlement describes the procedure TC Ravenswood will follow if it determines during the term of the Offer of Settlement that it needs to obtain a spot barge to provide Fuel Oil Burn for I-R3 beyond those initially designated in the Offer of Settlement. It also describes two alternatives for the allocation/sharing of costs of any such spot barge. Which cost sharing mechanism applies depends on a determination of need by Con Edison Steam, which has a long-term contract with TC Ravenswood Services Corp. for the transportation, maintenance, storage and handling of Fuel Oil. Con Edison Steam also has the

right to a minimum reserve quantity of existing onsite storage at the Ravenswood facility under the existing agreement.

Section 2.9 of the Offer of Settlement contains the Settling Parties' acknowledgment that the components comprising the Demand Charge, and the determination of the on-site O&M Costs, reflect estimated costs, and the Settling Parties agree that the estimates are reasonable. It further provides that in the event TC Ravenswood's actual costs making up the Demand Charges and O&M Costs differ from the estimates, there will be no true-up for these costs in either direction. Thus, TC Ravenswood shall not be entitled to impose a surcharge, and neither any Party nor any market participant shall be entitled to a refund with respect to the Demand Charges or O&M Costs.

Section 2.10 describes consideration for the Offer of Settlement. Section 2.10.1 provides that in consideration of the terms of the Offer of Settlement, TC Ravenswood will: (a) (i) arrange for, operate, and maintain the facilities outlined in Section 1.3 of the Offer of Settlement and (ii) generate electric energy using Fuel Oil for I-R3 under the terms of the Offer of Settlement for the period May 1, 2014 through April 30, 2017; (b) withdraw its rate schedule filed in Docket ER14-1711 with prejudice; (c) waive any claims it may have with respect to compensation for Fuel Oil Burn for I-R3 for the period May 1, 2014 through April 30, 2017 other than under the terms of the Offer of Settlement; and (d) not submit a filing under Section 205 of the FPA seeking a rate or tariff for TC Ravenswood's provision of Fuel Oil Burn for I-R3 for the period of May 1, 2014 through April 30, 2017.

Section 2.10.2 of the Offer of Settlement provides that in consideration of the terms of the Offer of Settlement, the NYISO will withdraw its Unexecuted Implementation Agreement in Docket No. ER14-1822 with prejudice.

Section 2.10.3 of the Offer of Settlement provides that in consideration of the terms of the Offer of the Settlement, no Settling Party shall file a complaint under FPA Section 206 seeking rates, or terms and conditions, for Fuel Oil Burn for I-R3 for the period May 1, 2014 through April 30, 2017 that differ from those agreed to in the Offer of Settlement.

Section 3.1 of the Offer of Settlement pertains to termination of the Offer of Settlement, the right of the Parties to extend the Offer of Settlement or negotiate a new agreement, and the reservation of the rights the Parties may have to make filings with the Commission, or oppose such filings, as each Party deems appropriate, for TC Ravenswood's provision of Fuel Oil Burn for I-R3 for the period after the termination date of the Offer of Settlement on April 30, 2017. Section 3.1 specifies that the Parties are free to enter into negotiations to extend the termination date of the Offer of Settlement and/or negotiate a new agreement for TC Ravenswood's provision of Fuel Oil Burn for I-R3, in each instance subject to Commission approval. It further provides that if any such negotiations are not concluded by January 1, 2017, subject to Sections Six and Seven of the Offer of Settlement, the Parties have reserved all rights they may have to make filings with the Commission, or oppose such filings, as each Party deems appropriate, with respect to TC Ravenswood's provision of Fuel Oil Burn for I-R3 for the period subsequent to April 30, 2017, including but not limited to: 1) TC Ravenswood filing a rate schedule under FPA Section 205; 2) the NYISO filing an unexecuted Implementation Agreement under Section 4.1.9 of its Services Tariff; or 3) a Party filing a complaint under FPA Section 206.

Section 3.2 of the Offer of Settlement states that Parties shall retain all rights under the FPA, under Section 4.1.9 of the Services Tariff, and under all other provisions in the Services Tariff, to the extent applicable, as discussed in Sections Six and Seven of the Offer of Settlement.

Section 4.1 of the Offer of Settlement provides that the Offer of Settlement constitutes the full and complete agreement of the Settling Parties with respect to TC Ravenswood's provision of Fuel Oil Burn for I-R3 for the period May 1, 2014 through April 30, 2017, and that the Offer of Settlement supersedes all prior agreements between the Settling Parties with respect to that subject matter. The Settling Parties agree in Section 4.1 that the Offer of Settlement and Minimum Oil Burn Agreement entered into in settlement of Docket No. EL10-70 have expired and are no longer in force or effect. The Settling Parties also agree in Section 4.1 that the Offer of Settlement does not affect or change the provisions of the Services Tariff, including Section 4.1.9. They further agree that TC Ravenswood's compensation for the provision of Fuel Oil Burn for I-R3 for the period May 1, 2014 through April 30, 2017, as specified in Section 1 of the Offer of Settlement, shall be pursuant to the Offer of Settlement.

Section 4.2 of the Offer of Settlement explains, for the period May 1, 2014 through April 30, 2017, where there are differences between Section 4.1.9 of the Services Tariff and the terms of the Offer of Settlement, the terms of the Offer of Settlement govern.

Section 4.3 of the Offer of Settlement states that all references within the Offer of Settlement to Section 4.1.9 of the Services Tariff refer to the provisions of Section 4.1.9 as they exist as of the date the Offer of Settlement is executed.

Section 5.1 of the Offer of Settlement explains the requirement to, and process by which, TC Ravenswood will withdraw its rate schedule filed in Docket No. ER14-1711 and the NYISO will withdraw the Unexecuted Minimum Oil Burn Agreement it filed in Docket No. ER14-1822 respectively. Withdrawal must take place within 10 business days of a Final Order (as defined in the Offer of Settlement) accepting the Offer of Settlement without condition or modification (unless mutually acceptable to all Settling Parties). Each such withdrawal shall be with prejudice

for the period May 1, 2014 through April 30, 2017, but shall have no effect on the Parties' rights to make filings for a period after April 30, 2017, except as discussed in Sections Six and Seven of the Offer of Settlement.

Section 6.1 of the Offer of Settlement states that Offer of Settlement does not address (1) TC Ravenswood's legal authority, if any, to have its own rate schedule on file under FPA Section 205 setting forth rates and terms and conditions under which it would provide Fuel Oil Burn for I-R3, *i.e.*, burns Fuel Oil in lieu of natural gas in furtherance of Rule I-R3, or (2) TC Ravenswood's obligation, if any, to provide Fuel Oil Burn for I-R3 pursuant to an unexecuted Implementation Agreement under Section 4.1.9 of the NYISO Services Tariff. The Offer of Settlement specifies that these issues are contested and unresolved, although the Settling Parties inform the Commission that they are not asking the Commission to resolve those issues in these dockets and that they believe the Commission has the authority to approve the Offer of Settlement without resolution of those issues.

Section 6.2 of the Offer of Settlement reiterates that, other than as specified in Sections 6.3 and 7.2 of the Offer of Settlement, no Settling Party waives any rights it may possess to have rates on file under Section 205 of the FPA, or to make FPA Section 205 or 206 filings.

Section 6.3 of the Offer of Settlement states that no Settling Party will make a Section 205 filing or a Section 206 filing under the FPA seeking a rate or a revised rate to compensate TC Ravenswood for burning Fuel Oil in furtherance of Rule I-R3 for the period May 1, 2014 through April 30, 2017 or to modify the terms and conditions in the Offer of Settlement, unless the Settling Parties, by mutual consent, agree to modify the terms and conditions in this Offer of Settlement. Nevertheless, the Settling Parties specifically reserve the right to raise all arguments in support of, or in opposition to, TC Ravenswood's provision of Fuel Oil Burn for I-R3 under

its own rate schedule, and/or pursuant to an unexecuted Implementation Agreement under Section 4.1.9 of the NYISO Services Tariff, including terms and conditions and compensation associated with Fuel Burn for I-R3. These arguments, however, may only be raised with regard to filings for a term beginning after the expiration of this Offer of Settlement on April 30, 2017.

Section 6.4 of the Offer of Settlement explains that the Parties hereby reserve all rights to which they are entitled under Sections 205 and 206 of the FPA, except as set forth in the Offer of Settlement.

In Section 6.5 of the Offer of Settlement, the Settling Parties advise the Commission that they believe that the Offer of Settlement represents a fair and reasonable negotiated settlement that is in the public interest, but that the Offer of Settlement will not limit or restrict the arguments that the Settling Parties may put forth or the positions that the Settling Parties may take in any future proceeding before the Commission.

Section 7.1 of the Offer of Settlement states that the Offer of Settlement will become effective as of May 1, 2014 upon an order approving the Offer of Settlement becoming a Final Order as defined in the Offer of Settlement. If the Commission accepts the Offer of Settlement without modification, no Settling Party will request rehearing or otherwise appeal or support rehearing requests or appeals by others.

Section 7.2 of the Offer of Settlement states that no party shall use the Offer of Settlement, or the terms thereof, as evidence to support, or oppose, an argument that TC Ravenswood is obligated to provide Fuel Oil Burn for I-R3, or to be compensated for doing so, under Section 4.9.1 of the Services Tariff, or that TC Ravenswood has the right to have its own rate schedule for Fuel Oil Burn for I-R3 under Section 205 of the FPA.

Section 7.3 of the Offer of Settlement states that the Offer of Settlement is an integrated whole and is expressly conditioned on the Commission's acceptance of all provisions without modification or condition. Notwithstanding the foregoing, if the Commission approves the Offer of Settlement contingent upon a modification of the Offer of Settlement or upon any condition, the Offer of Settlement provides that such modification or condition shall be considered to be accepted unless, within a period of ten days from the date of such order, the Settling Party objecting to the condition or modification serves written notice on the other Settling Parties that it intends to seek rehearing of the order approving the Offer of Settlement as modified or conditioned. Should Commission approval be subject to condition or modification of this Offer of Settlement, and should one or more of the Settling Parties file a request for rehearing of the Commission's order, the Offer of Settlement provides that the other Settling Parties will confer and determine whether to support the Offer of Settlement as modified or conditioned. Each Settling Party shall then have the right, as determined in its sole discretion, to withdraw as a signatory of the Offer of Settlement. The Offer of Settlement states that if TC Ravenswood withdraws as a signatory, the Offer of Settlement shall not constitute any part of the record in Docket No. ER14-1711 and shall not be used for any purpose in that docket. The Offer of Settlement further states that if the NYISO withdraws as a signatory, the Offer of Settlement shall not constitute any part of the record in Docket No. ER14-1822 and shall not be used for any purpose in that docket.

Section 7.4 of the Offer of Settlement explains that Commission approval of the Offer of Settlement shall constitute the requisite waiver of any and all otherwise applicable Commission regulations, to the extent necessary, to permit implementation of the provisions of the Offer of Settlement.

Section 7.5 of the Offer of Settlement states that the Offer of Settlement constitutes a negotiated settlement, and except as otherwise expressly provided for therein, no Settling Party shall be deemed to have approved of any matter associated with the Offer of Settlement. Section 7.5 also explains that the offer of Settlement is not a “settled practice” as that term was interpreted and applied in *Public Service Commission of New York v. FERC*, 642 F.2d 1335 (D.C. Cir. 1980), will not be the basis for any decision with regard to the burden of proof in any future litigation, and will have no precedential effect in any future proceeding, except in any proceeding to enforce the Offer of Settlement.

Section 7.6 of the Offer of Settlement provides that the discussions among the Parties that have produced the Offer of Settlement have been conducted on the explicit understanding, pursuant to Rules 602(e) and 606 of the Commission’s Rules of Practice and Procedures, that all offers of settlement and any comments on these offers are privileged and not admissible as evidence against any participant which objects to their admission and that any discussions of the Parties with respect to offers of settlement is not subject to discovery or admissible in evidence.

Section 7.7 of the Offer of Settlement states that the Offer of Settlement is subject to the “public interest” standard of review set forth in the *Mobile Sierra* doctrine to the full extent legally permissible.

Sections 7.8 and 7.9 of the Offer of Settlement explain that headings in the Offer of Settlement do not have any significance in the interpretation of the Offer of Settlement and that the signatures to the Offer of Settlement may be made in counterparts.

Section 8.1 of the Offer of Settlement states that the Offer of Settlement resolves all issues related to the manner in which TC Ravenswood will be compensated for providing Fuel Oil Burn for I-R3 for the period May 1, 2014 through April 30, 2017.

INFORMATION REQUIRED BY THE COMMISSION

Issues Underlying The Settlement and The Major Implications

The procedural history of this proceeding and the issues in dispute are described above. The Offer of Settlement resolves all issues in Docket Nos. ER14-1711 and ER14-1822, except TC Ravenswood's legal authority, if any, to have its own rate schedule on file under FPA Section 205 setting forth the rates, terms and conditions under which it would provide Fuel Oil Burn for I-R3 and TC Ravenswood's obligation, if any, to provide Fuel Oil Burn for I-R3 or to be compensated for doing so, pursuant to an unexecuted Implementation Agreement under Section 4.1.9 of the NYISO Services Tariff. As stated herein, the Settling Parties do not believe it is necessary for the Commission to resolve those issues in these dockets, and they believe the Commission has the authority to approve this Offer of Settlement without resolution of those issues.

Policy Implications

The Settlement does not raise any policy implications.

Whether Other Pending Cases May Be Affected

To the Parties knowledge, there are no other pending cases that will be affected by this Settlement.

Whether The Settlement Involves Issues Of First Impression

The Settlement does not involve any issues of first impression.

Whether There Are Any Previous Reversals On The Issues Involved

There are no previous reversals on the issues addressed in the Settlement.

The Standard of Review

The Offer of Settlement is subject to the “public interest” standard of review set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*⁶ and *Federal Power Commission v. Sierra Pacific Power Co.*⁷ (the *Mobile-Sierra* doctrine) to the full extent legally permissible as interpreted in *Morgan Stanley Capital Group Inc. v. Public Utility District No. 1*, 554 U.S. 527 (2008); *NRG Power Marketing LLC v. Maine Public Utilities Commission*, 558 U.S. 165 (2010).

CONCLUSION

The Settling Parties believe that the Offer of Settlement represents a fair and reasonable resolution of the issues in this proceeding and urge the Commission to approve it without condition or modification to be effective May 1, 2014 to ensure reliability is maintained in accordance with the agreements contained therein. Approval also will eliminate litigation of the disputes raised in the protests filed in Docket Nos. ER14-1711 and ER14-1822 as applicable to the period May 1, 2014 through April 30, 2017.

Dated: October 20, 2014

⁶ 350 U.S. 332 (1956).

⁷ 350 U.S. 348 (1956).

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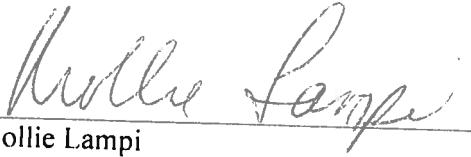
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Respectfully submitted,



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A handwritten signature in cursive script, reading "Mollie Lampi", positioned above a horizontal line.

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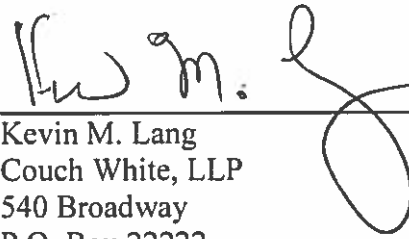
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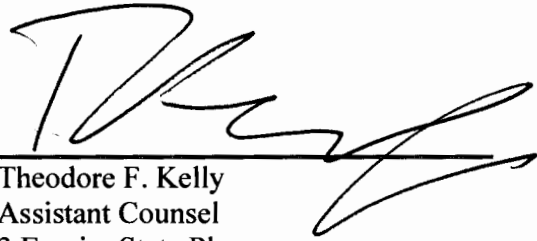
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Service Commission**

CERTIFICATE OF SERVICE

I, Allison E. Hellreich, hereby certify that on this 20th day of October, 2014, a true and correct copy of the foregoing was served on all parties of record in this proceeding.

/s/ Allison E. Hellreich
Allison E. Hellreich