

STATE OF NEW YORK

Public Service Commission

Audrey Zibelman, Chair

Three Empire State Plaza, Albany, NY 12223

Further Details: James Denn

James.Denn@dps.ny.gov | 518.474.7080

<http://www.dps.ny.gov>

<http://twitter.com/NYSDPS>

14078/13-E-0488

NEED FOR TRANSMISSION UPGRADES TO BE STUDIED AND EXAMINED

— Taking Stakeholder Interest Into Account, PSC Lays Out New Process in Transmission Upgrade Proceeding to Determine Need —

Albany, NY—12/12/14— The New York State Public Service Commission (Commission) today announced that it will determine the exact extent of the need for relief of persistent transmission congestion that exists along the Mohawk and Hudson Valley transmission corridors by convening a technical conference in mid-2015.

“After carefully considering comments from stakeholders and members of the public, and in light of other proceedings related to improving energy efficiency and modernizing the grid, we will carefully reexamine the need for transmission upgrades to address existing transmission congestion problems,” said PSC Chair Audrey Zibelman. “This thorough review will help provide greater clarity to the process and to the communities in the impacted areas.”

In light of Commission efforts to under Governor Andrew M. Cuomo’s Reforming the Energy Vision (REV) initiative to promote more efficient use of energy, deeper penetration of renewable energy, and greater use of distributed energy resources, requests have been made reexamine the issues and re-determine the extent of the need for transmission upgrades in the congested region. Upon completion of this reexamination, Department staff will host a technical conference to ensure all parties can raise questions about its recommendations.

As part of the process, Department staff will prepare a report addressing the need question and present its findings in a technical conference open to all the parties so that there can be a full

airing and discussion among the stakeholders of the basis of the need for transmission facilities and the viability of potential alternatives.

Previous studies demonstrated that constraints on the State's electric transmission system is leading to significant transmission congestion and contributing to higher energy costs and reliability concerns. In fact, consumers in the lower Hudson Valley have to pay higher electric costs, primarily because of this congestion. Upgrading the system to reduce such congestion could enhance system flexibility and efficiency, reduce environmental and health impacts associated with electricity production, increase supply diversity, accommodate interconnection of new sources of power along the way, including renewable and clean energy, promote lower cost generation in upstate areas, and mitigate potential problems arising from generator retirements.

In addition to studying the extent of need for potential transmission upgrades, the Commission also approved a process to narrow the field of potential projects that may be needed to address the transmission congestion. It also adopted a schedule, cost allocation and risk-sharing mechanisms, and a method for cost recovery.

The schedule requires interested developers to submit all of the information needed to carry out this evaluation by January 19, 2015; staff's need report is expected to be issued on or before June 10, 2015, followed closely by the all-parties technical conference. This schedule allows concerned parties the opportunity to demonstrate that a transmission solution is not needed, or that an alternative solution is preferable, before any further decisions are made on any specific applications. In the event a determination of need is made, the process contemplates a Commission decision in August or September of 2015.

The Commission also adopted an approach for ensuring cost recovery through Federal Energy Regulatory Commission-approved tariffs. Coordinating the comparative evaluation phase with the New York Independent System Operator's public policy planning process would establish a mechanism for such cost recovery.

To ensure fairness and equality, the Commission also approved an approach for allocating the costs of any project ultimately approved, whereby the customers who benefit the most will share a large portion of the cost. This allocation reflects that the primary benefit of the projects will be reduced congestion into downstate load areas, but also recognizes that some benefits would accrue to upstate customers in the form of increased reliability and reduced operational costs.

To help ensure the quality and comparability of the bids, and that ratepayers retain the benefit of the comparative evaluation process, the Commission found that a risk-sharing mechanism is reasonable and appropriate. The Commission's policy approach to risk sharing considers Federal Energy Regulatory Commission (FERC) policies and appropriately balances ratepayer interests. Accordingly, the Commission will expect any developer submitting a project for consideration in the comparative evaluation process to be willing to agree to accept the risk-sharing proposal. The Commission expects this approach will ultimately be subject to FERC's approval; Commission staff will ensure FERC understands the value of this effort.

The Commission's decision, when issued, may be obtained by going to the Commission Documents section of the Commission's Web site at www.dps.ny.gov and entering Case Number 13-E-0488 [In the Matter of Alternating Current Transmission Upgrades – Comparative Proceeding] in the input box labeled "Search for Case/Matter Number." Many libraries offer free Internet access. Commission orders may also be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500). If you have difficulty understanding English, please call us at 1-800-342-3377 for free language assistance services regarding this press release.